

TABLE OF CONTENTS

CHAPTER 1 - INTRODUCTION AND OVERVIEW

1.1	FOREWORD BY THE MAYOR	6
1.2	OVERVIEW OF THE MUNICIPALITY BY THE MUNICIPAL MANAGER	7
1.3	EXECUTIVE SUMMARY	8
1.3.1	STATUS OF PROJECTS: 2011/2012	8
1.3.2	WATER	10
1.3.3	SANITATION	11
1.3.4	LANDFILL SITES AND REFUSE REMOVAL	11
1.3.5	ELECTRICITY	11
1.3.6	HOUSING	12
1.3.7	CEMETERIES	12
1.3.8	LIBRARIES	13

CHAPTER 2 - PERFORMANCE HIGHLIGHTS

2.1	BACKGROUND	15
2.2	BACKLOGS IN SERVICE DELIVERY	16
2.3	RELATING BACKLOGS TO MUNICIPAL SPENDING ON SERVICE DELIVERY INFRASTRUCTURE	26
2.4	BUILDING PLANS AND RE-ZONING 2011/2012	26

CHAPTER 3 - HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT

3.1	ORGANISATIONAL STRUCTURE	28
3.2	COMMENTS ON STAFFING PER DEPARTMENT AND FUNCTION	37
3.3	DISCLOSURES CONCERNING REMUNERATION OF COUNCILLORS AND SENIOR OFFICIALS FOR THE PERIOD 1 JULY 2011 TO 30 JUNE 2012	39



CHAPTER 4 - AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION	41
4.1 AUDIT REPORT 2011/2012	43
4.2 AUDITED ANNUAL FINANCIAL STATEMENTS 2011/2012	50
4.3 ACTION PLAN ON AUDIT REPORT 2011/2012	135
4.4 BUDGET 2011/2012	145
4.5 BUDGET TO ACTUAL COMPARISON	152
4.6 INTERGOVERNMENTAL GRANTS 2011/2012	153
4.7 REPORT ON ARREARS ON MUNICIPAL TAXES AND SERVICE CHARGES	154
4.8 REPORT ON PERFORMANCE ON REVENUE COLLECTION FROM EACH REVENUE SOURCE	155
CHAPTER 5 - FUNCTIONAL AREA SERVICE DELIVERY REPORTING	156
5.1 SERVICE DELIVERY PERFORMANCE REPORT	157
5.1.1 Component A : Basic Services	157
5.1.2 Component B : Road Services	173
5.1.3 Component C : Planning and development	176
5.1.4 Component D : Community and Social Services	178
5.1.5 Component E : Traffic and Law Enforcement	181
5.1.6 Component F : Corporate Policy offices and other services	182
5.2. ORGANIZATIONAL DEVELOPMENT PERFORMANCE	189
5.2.1 Component A : Introduction to the Municipal Personnel	190
5.2.2 Component B : Policies	191
5.2.3 Component C : Capacitating the Municipal Work force	195
5.2.4 Component D : Managing the Work force Expenditure	196
5.3. FINANCIAL PERFORMANCE	197
5.3.1 Component A : Statements of Financial Performance	197
5.3.2 Component B : Spending against Capital Budget	203
5.3.3 Component C : Other Financial matters	207



NKETOANA LOCAL MUNICIPALITY

Chapter

1



ANNUAL REPORT **2011/2012**

Political Leadership

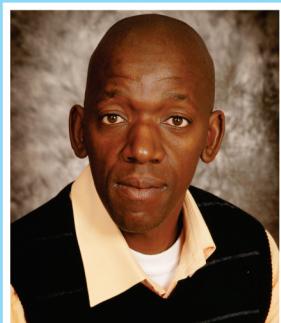


Mayor Cllr. M. Molapisi
Finance Chairperson (PR)

Cllr. P. Nkomo
Speaker



Cllr. Malindi
Chief Whip (PR)



Cllr. M. Molodi
Petrus Steyn Ward 2



Cllr. M. Mphaka
Arlington (PR)



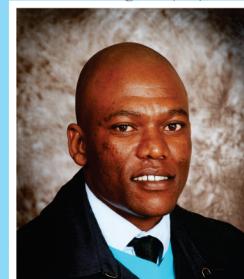
Cllr. M. Blignaut
Reitz Ward 6



Cllr. N. Tshabalala
Petsane Ward 7



Cllr. T. Radebe
Lindley Ward 3



Cllr. G. Nhlapo
Arlington Ward 5



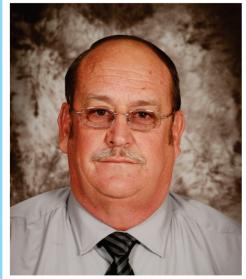
Cllr. M. Semela
Petsane Ward 9



Cllr. P. Moshoediba
Lindley (PR)



Cllr. P. Mofokeng
Lindley Ward 4



Cllr. S. Henning
Lindley (PR)



Cllr. P. Sibeko
Reitz Ward 6



Cllr. M Nakedi
Petrus Steyn



Cllr. M. Mosia
Petrus Steyn Ward 1

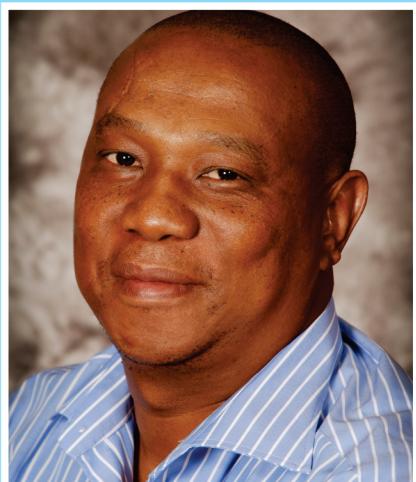


Cllr. K. Mokoena
Petsane Ward 8

Administrative Leadership



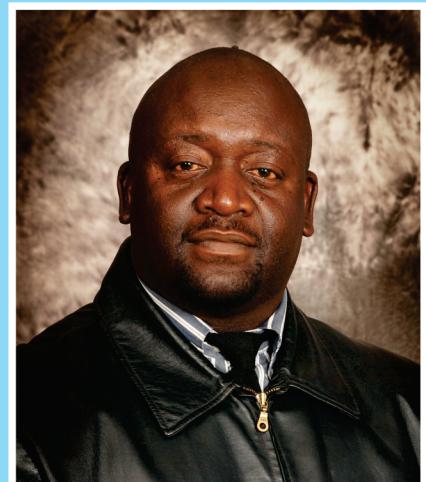
Municipal Manager
LI Mokgathe



Director Community Services
Acting Director Housing, Economic
Development and Planning
M Manzi



Chief Financial Officer
Acting Director Technical Services and
Infrastructure Development
V Mkhefa



Director Corporate Services
SM Nhlapo



CHAPTER 1 - INTRODUCTION AND OVERVIEW

1.1 FOREWORD BY THE MAYOR

FORWARD BY THE MAYOR 2011-2012

The 2011/2012 financial year was a watershed year in many ways for the Nketoana Local Municipality. The municipality obtained an unqualified audit opinion after an intensive audit process. This is extremely important because the results of an external audit offer an independent appraisal on the performance of the municipality. In other words, the audit is a tool a municipality can use to gauge its capacity to fulfil its service delivery objectives.

The unqualified audit opinion means the following for this municipality:

- It is a vote of confidence on how the municipality conducts its affairs, from financial management to the management of human and other resources.
- It is a clear indication that the municipality is on track to achieve the government's goal of clean audit 2014.
- It is a sign that the municipality is in a better position to fulfil its objective of delivering services to the local communities in an effective, efficient, cost-effective and transparent manner

The Nketoana Local Municipality, compared to other municipalities in the province, has been relatively stable with regard to public upheavals. The reason for this stability is that there is regular and constant interaction between the communities and their public representatives. It is through this interaction that the communities are informed about the realisation of the developmental goals as encapsulated in the municipality's Integrated Development Plan (IDP). This is also an opportunity to inform the communities about challenges facing the municipality which may hamper service delivery and development. The Nketoana Local Municipality has learnt from developments in other municipalities that in order to ensure stability, information dissemination is paramount.

The diverse nature of the municipal council is an added advantage for Nketoana Local Municipality. The current-term council consist of old and new councillors. The newly-elected councillors have adapted readily to their work like ducks to water. The council has therefore a winning and synergetic combination of experience and youthful vigour.

It is vital to note that the successes the municipality has notched were made possible by the partnership with stakeholders and role players. As a municipality, we understand and accept that the road towards addressing socio-economic objectives cannot be traversed alone. That is why the municipality regards as important and indispensable the contributions made and continue to be made by developmental partners like the Free State Provincial Government, The NGO sector, other local municipalities, the Thabo Mofutsanyana District Municipality and other organs of state.

It will be remiss of me to leave out the valuable contribution made by all the staff members of Nketoana Local Municipality. The municipality would not have achieved this success without the selfless efforts, dedication and diligence of its staff members at all levels of employment.





1.2 OVERVIEW OF THE MUNICIPALITY BY THE MUNICIPAL MANAGER

OVERVIEW OF THE MUNICIPALITY BY THE MUNICIPAL MANAGER

The 2011/2012 financial year heralds significant milestones that the Municipality has attained in improving institutional capabilities and capacity development of municipal officials and Councillors alike on strategic plans.

This has managed to foster improved financial status and equitable services provision to our local communities. The following are key milestones that Municipality can delightfully demonstrate as its achievements:-

- Finalisation of Township Establishment for Mabena Section in Arlington which had enabled the electrification of Mabena Section by ESKOM.
- Construction of a new Solid Waste Transfer Station in Arlington which is at its final stage.
- Construction of a new Solid Waste Disposal site in Reitz which is at its final stage.
- Water Purification Works/Plant in Lindley which is under construction.
- Allocation of sites in **Reitz, Petrus Steyn and Lindley** to beneficiaries that had been on the waiting list for more than 8 years.
- Bulk Water Supply where Consultant and Contractor have been appointed.
- Unqualified audit opinion.

The Municipality is faced with some little teething challenges of community participation which could improve social distance between the Municipality and its communities to meet their demands and expectations. In an attempt to address some of these challenges, the municipality has for this financial year enlisted service priority issues which needed to be attended to with immediate effect and has, as a matter of priority, tabled to council the by-laws which are relevant to address the socio-economic status of the municipality and such by-laws which will be enforceable to the local communities to enable the process of public participation to resume.

The municipality's vision and objective is the framework against which it measures performance practices so as to assess the characteristics of good governance, provision of basic service delivery, effective financial viability, sustainable local economic environment and finally improved institutional transformation and human resource development. Sound financial governance is implicit in our values, culture, functions and organisational structure. Structures are designed to ensure that our vision and objectives remain embedded in all municipal business functions and processes. The municipality continually refine these functions and a written statement of corporate governance and compliance to legislative environment serves as our code of ethics which permeates to improved organisational performance and equitable distribution of municipal services to its community.

1.3 EXECUTIVE SUMMARY

1.3.1 STATUS OF PROJECTS: 2011/2012

1.3.1.1

Registration Number: MIG/FS0420/SW/10/12
Project Description: Reitz: Construction of a new solid waste disposal site
Project Value: 9 906 600.00
Status: Construction

1.3.1.2

Registration Number: MIG/FS0430/SW/10/12
Project Description: Arlington: Construction of a new solid waste disposal site
Project Value: 4 168 980.00
Status: Construction

1.3.1.3

Registration Number: MIG/FS0526/R,ST/09/11
Project Description: Mamafubedu Roads Upgrading
Project Value: 21 692 474.34
Status: Registered

1.3.1.4

Registration Number: MIG/FS0527/R,ST/10/12
Project Description: Petsana Roads Upgrading
Project Value: 21 692 474.34
Status: Registered



1.3.1.5

Registration Number: MIG/FS0567/W/07/08
 Project Description: Lindley: Upgrading of water purification works
 Project Value: 24 240 000.00
 Status: Construction

1.3.1.6

Registration Number: MIG/FS0613/S/08/09
 Project Description: Mamafubedu: Recycled treated sewerage included toilet connections
 Project Value: 36 237 398.00
 Status: Construction

1.3.1.7

Registration Number: MIG/FS0798/W/10/10
 Project Description: Leratswana: Installation of 1276 water meters
 Project Value: 1 104 963.00
 Status: Construction

1.3.1.8

Registration Number: MIG/FS0799/W/10/10
 Project Description: Ntha: Installation of 2681 water meters
 Project Value: 2 191 716.00
 Status: Construction

1.3.1.9

Registration Number: MIG/FS0808/W/10/12
Project Description: Mamafubedu: Installation of water meters
Project Value: 7 241 101.00
Status: Construction

1.3.1.10

Registration Number: MIG/FS0809/W/10/12
Project Description: Petsana: Installation of water meters
Project Value: 10 995 348.00
Status: Construction

1.3.2 WATER

The Water Services Act of 1997 and the General Enabling Act of 2005 dictate how Water Authorities and Water Service Providers should provide the water services as well as the quality of water that needs to be supplied. 100% of households within the municipal area have access to the basic level of clean water. Although the quality of the water provided is good, Nketoana needs to improve on the Blue Drop status of the water service. To ensure that Nketoana will reach the desired Blue Drop rating it is envisaged to appoint a Manager Waste Water and Water Purification.

Nketoana Local Municipality does not have sufficient water in all the units. We have bulk water problems in Arlington/Leratswana as well as in Petrus Steyn/ Mamafubedu. For Reitz/Petsana there is sufficient bulk water with the Liebenbergsvlei as source. PetrusSteyn/Mamafubedu is serviced from Reitz. Lindley/Ntha is receiving water from the Valsriver, but it is not a stable source because it is highly dependent on adequate seasonal rain. Secondly insufficient provision of water exists because of an inadequate catchment area. Arlington/Leratswana is receiving water from a borehole. It is at this stage adequate for human consumption, but will not be adequate to service water borne sewer systems. We are currently busy with a proposal to the Department of Water to obtain funding for bulk water supply. The implementation plan is in an advance stage and we anticipate that treasury will approve the proposal. There is a considerable backlog in metered water in almost all the townships. Our current backlog is 2690 households in Ntha and 1680 in Leratswana. We have installed 800 water meters in Ntha. We had a serious challenge on the quality of water in Leratswana but we were able to solve the problem.

1.3.3 SANITATION

Nketoana is still committed to provide the highest level of sanitation services to its residents. In our area of jurisdiction the highest level of sanitation services provided by the municipality is a flush toilet connected to the sewerage system and the basic level of service includes flush toilet with sceptic tank and a PIT latrine with ventilation. There is still bucket sanitation in informal settlements. The reason for this level of service is that Nketoana has in some of its towns, serious water challenges. Without water it is just not possible to upgrade to a flush toilet. There is a high level of resistance from the communities regarding VIP units. It reached the level where Council has stopped to install such units.

The sanitation services are still a mixture of several methods. Most of the households are serviced by a fully water borne system. In Mamfubedu a pilot project is in progress where "grey" water is going to be used for the water borne sewerage system. The "grey" water is treated less than water fit for human consumption and thus less costly. This is an effort to overcome the lack of bulk water supply. The package plant and the pressure tower and a 40 mega liter reservoir were completed. On 30 June 2010 1500 out of 2500 houses were connected and fully functional. We are in the final testing phase and the project should be completed in the first quarter of 2010/2011. In Ntha the bucket system is almost eradicated. Due to lack of bulk water, the progress is however not as quick as hoped for. In Ward 9 in Petsana 230 houses were connected to the sewer system and 145 toilet structures were built. In Petsana as well as Ntha, all the pipes blocked by sand were replaced. In Arlington/Leratswana serious problems due to lack of bulk water supply still exists. Sanitation is provided by suction pits, VIP Toilets and the bucket system. There is a project running to clean the VIP Toilets as the de-composure function of the system is not adequate and results in overloaded toilets. Although the VIP Toilets are an upgraded sewer service from the bucket system, the community is not satisfied with the VIP systems and demand full waterborne systems. A solution to the bulk water supply is awaited.

1.3.4 LANDFILL SITES AND REFUSE REMOVAL

Nketoana Municipality spares no effort to ensure that refuse removal is done at least once a week at every household, to ensure the efficient management of the solid waste disposal sites, to prevent littering and to ensure that the streets and pavements are regularly cleaned. The removal of accumulated illegal dumping are removed to ensure a healthy environment. Although there are still isolated areas of inconsistency, remedial action is taken where such are detected. Recycling is receiving more attention and it is envisaged that in the coming years recycling will feature as a priority as it is important for environmental issues as well as a tool for poverty alleviation.

There are landfill sites in all units but not of adequate capacity. At this stage the process of registration and obtaining permits for the sites is in progress. The sites lack proper fencing as well. In Reitz, PetrusSteyn and Arlington relocation of the sites are required. In Lindley a new site must also be developed very urgently. This is a serious need and to ensure that the environment be protected, no time should be wasted to complete these processes. Access control to the sites is of vital importance. Un-controlled dumping can have serious consequences for the Municipality. The municipality need to implement recycle projects to lessen the Carbon Footprint left by the Nketoana.

1.3.5 ELECTRICITY

Electricity Generation and Transmission is the sole responsibility of ESKOM. Nketoana Municipality is licensed by the National Energy Regulator of South Africa (NERSA) only to distribute electricity within its area of jurisdiction.

However, the responsibility if distribution is shared by ESKOM and the municipality. The municipality distribute electricity in Reitz, Petrus Steyn, Lindley and Ntha. Petsana, Mamafubedu, Arlington and Leratswana are direct serviced by ESKOM. The Nketoana Municipality has noted over time that electricity is no longer a cheap commodity and that it is no longer in abundance as it used to be. As a result, the municipality continues to appeal to users to use it sparingly and to take measures intended to reduce pressure on the national gird. It is envisaged that in the coming years the municipality will explore alternative sources of energy to ensure that the most affordable services can still be rendered to the communities.

For the purpose of electricity provision, basic level of access to electricity is defined as including connection of the household to the grid and basic level of service includes 10 Amp cemnections

The distribution of electricity is done by the municipality in some areas and by Eskom in other areas. In some areas like Leratswana, newly developed residential areas are still without electricity due to the fact that Eskom has to provide it. The municipality stays in close contact with Eskom on this matter and keep on pressing for service. Our biggest challenge is the electricity losses which are currently estimated at 40%, in monitory terms R 7 million. We have upgraded the electricity network in Ntha for R 560 00 and we still need to increase our network capacity.

1.3.6 HOUSING

Housing in the Free State Province is a provincial competency unless in instances where a municipality is accredited by the provincial government to build government funded houses. This is not the case in Nketoana Municipality. The responsibility of Nketoana Municipality with regards to housing is to allocate (sites), provide infrastructure and to maintain a waiting list of residents who qualify for RDP houses. The number of houses built within the municipal area in any given year depends solely on the number of housing units allocated by the provincial government. The responsibility of the municipality in this regard, is to identify beneficiaries and to assist applicants to complete application forms. In 2010/2011 financial year Nketoana received an allocation of 600 houses and it was distributed to Reitz/Petsana 150, PetrusSteyn/Mamafubedu 350, Lindley/Ntha 100 and Arlington/Leratswana 0. For the 2011/2012 no allocations were done to any municipality. The MEC wants to focus on any incomplete houses in all the municipalities. In Nketoana were only 58 incomplete houses situated in Mamafubedu. The houses are now completed.

The backlog in housing is informed by a living waiting list kept by the Housing section in the department of Community Services. Applications for housing subsidies are regularly submitted to the provincial Housing sector. The backlog is also a result of a shortage of land for human settlement.

1.3.7 CEMETERIES

There are adequate cemeteries for the immediate need in all the units. However, in PetrusSteyn there is an urgent need for more cemeteries. It is envisaged that all areas will be properly fenced to prevent damaged to graves. At this stage the maintenance of the areas is problematic due to shortage of staff.



1.3.8 LIBRARIES

There are libraries in all units. Most of it is in proper buildings. The stock is provided by the Provincial Government and is of a well balanced nature. There is also equipment provided to allow access to the Internet for library users. The libraries serve about 4000 members including adults and children. The library hours are from Monday to Friday. During school holidays programs are provided for the children at the libraries like story hours and activity programs. In Reitz a special service is provided to old age and house bound people. At this stage it is only Arlington/Lerastwana that still has no proper building. It is however in the planning stage at the Provincial Government and should be provided in coming years.

The Nketoana municipality succeeded in providing the basic services to the urban communities in its jurisdiction of a high standard. It is in the process of gradually closing the gap between previously disadvantaged areas to provide equal services to all. However, in the field of rural development and provision of services, much work must still be done. The municipality is aiming at reaching the stage where all residents within its jurisdiction will be provided by services.





NKETOANA LOCAL MUNICIPALITY

Chapter 2



ANNUAL REPORT 2011/2012

CHAPTER 2 - PERFORMANCE HIGHLIGHTS

2.1 BACKGROUND

The National Government is taking the acceleration of service delivery as a key priority in the agenda of local government. Certain targets were set for different services. The eradication of the Bucket system as sanitation was the first target to be reached. The VIP systems were provided to communities as an upgraded sanitation system, but it was not acceptable for the communities. The communities insisted on full water borne systems. This was resulting in further challenges of sufficient bulk water supply to operate such water borne systems.

The road, street and storm water management systems in all the units of the municipality are in serious need of maintenance and upgrading. Although there is already quite extensive km of tar roads existing in the units, the backlog is still immense. The gravel roads over the whole of the municipality are in a poor condition. It is envisaged that gravel roads will systematically be replaced by paved surfaces instead of tar surfacing. The paved roads are durable and labour intensive.

The storm water management systems need serious upgrading and maintenance. In most of the areas storm water management is nonexistent. This is also an area that needs serious attention.

The entrance points in all areas are in a bad condition and need attention urgently

2.2 BACKLOGS IN SERVICE DELIVERY

NKETOANA LOCAL MUNICIPALITY					
LERATSWANA - ARLINGTON					
WATER & SANITATION BACKLOG ASSESSMENTS AS AT 30 JUNE 2012					
STANDS					
WATER					
Communal Water Purification Plant					
Communal Bulk Supply to Reticulation reservoirs					
Communal Reticulation Reservoirs					
Communal Supply to Reticulation Networks					
Description		Current	Need	Backlog	Capacity
Water Purification					
* Capacity (ML/d)		1.04	1.50	0.46	0.50
* Refurbishment (%)				0.00	R 6,000,000.00
Bulk Supply dia (m)			10		R 6,000,000.00
Hard rock adjustment (%)		0.10	0.15	0.11	300
				50	R 300.00
					R 45,000.00
Water Reticulation (1m deep)					
Reservoir capacity (ML)		1.30	2.50	1.20	1.50
Internal Supply dia (m)		0.10	0.24	0.22	0.00
Hard rock adjustment (%)				50	R 575.00
Water network (stands)		1320	1600	280	R 0.00
Hard rock adjustment (%)				50	R 7,500.00
Metered standpipes (no)		1320	1600	280	R 300.00
Water meters (no)		0	1320	1320	R 550.00
SUB-TOTAL					R 8,795,250.00

SANITATION		
Communal Outfall Sewer		N
Communal Rising Main (and pumpstations)		N
Communal Waste Water Treatment Works		N

Description	Current	Need	Backlog	Length	Rate	Costs	<RDP Stds
Waterborne Sewer (2m deep main, 1.5m deep erf connection)							
Sewer network (stands)	0	1600	1600		R 2,475.00	R 3,960,000.00	
Hard rock adjustment: (%)			70		R 600.00	R 3,024,000.00	
Erf connections (stands)	0	1600	1600		R 3,795.00	R 6,072,000.00	0
Hard rock adjustment: (%)			50		R 450.00	R 3,420,000.00	
Toilet structures	1320	1600	280		R 7,500.00	R 21,100,000.00	
Outfall sewer dia (m)	0.00	0.30	0.30	0	R 950.00	R 0.00	
Hard rock adjustment: (%)			0		R 0.00	R 0.00	
					R 600.00	R 0.00	
Pumpstations							
* Number	0	1	1		R 1,000,000.00	R 1,000,000.00	
* Refurbishment (%)			0		R 1,000,000.00	R 0.00	
Rising main dia (m)	0	0.12	0.12	1000	R 300.00	R 300,000.00	
Hard rock adjustment: (%)			50		R 300.00	R 150,000.00	
Waste water treatment works							
* Purification Plants							
* Capacity (Ml/d)	0	0.80	0.80	1.00	R 9,000,000.00	R 9,000,000.00	
* Refurbishment (%)			0		R 9,000,000.00	R 0.00	
* Oxidation Ponds							
* Capacity (Ml/d)	0	0.80	0.00	0.00	R 2,000,000.00	R 0.00	
* Refurbishment (%)			0		R 2,000,000.00	R 0.00	
SUB-TOTAL					R 29,026,000.00	R 29,026,000.00	
TOTAL (Incl VAT & Prof Fees)					R 37,821,250.00	R 37,821,250.00	

WATER & SANITATION BACKLOG ASSESSMENTS AS AT 30 JUNE 2012						
STANDS						
Town	Existing	Approved (Greenfields)	Accepted (y/n)	Formalised		
Nthla	3666	0	N	3666		
Lindley				480		
WATER						
Communal Water Purification Plant			Y			
Communal Bulk Supply to Reticulation reservoirs			Y			
Communal Reticulation Reservoirs			Y			
Communal Supply to Reticulation Networks			N			
Description	Current	Need	Backlog	Capacity	Length	Rate
Water Purification						Costs
* Capacity (Ml/d)	3.46	3.86	0.40	0.50	R 6,000,000.00	R 3,000,000.00
* Refurbishment (%)			5		R 6,000,000.00	R 1,038,000.00
Bulk Supply dia (m)	0.20	0.24	0.14	1800	R 300.00	R 540,000.00
Hard rock adjustment (%)			50		R 300.00	R 270,000.00
Water Reticulation (1m deep)						
Reservoir capacity (Ml)	4.85	6.43	1.58	2.00	R 2,000,000.00	R 4,000,000.00
Internal Supply dia (m)	0.20	0.36	0.30	2050	R 865.00	R 1,773,250.00
Hard rock adjustment (%)			60		R 0.00	R 0.00
Water network (stands)	3666	3666	0		R 300.00	R 369,000.00
Hard rock adjustment (%)			0		R 2,100.00	R 0.00
Metered standpipes (no)	3666	3666	0		R 300.00	R 0.00
Water meters (no)	300	3666	3366		R 1,100.00	R 0.00
Rising main dia (m)	0.15	0.15	0.00	1500	R 0.00	R 0.00
SUB-TOTAL						R 12,841,550.00

SANITATION		
Communal Outfall Sewer		N
Communal Rising Main (and pumpstations)	Y	
Communal Waste Water Treatment Works	Y	

Description	Current	Need	Backlog	Length	Rate	Costs
Waterborne Sewer (2m deep main, 1,5m deep erf connection)						
Sewer network (stands)	36666	36666	0		R 2,475.00	R 0.00
Hard rock adjustment (%)			0		R 600.00	R 0.00
Erf connections (stands)	36666	36666	0		R 3,795.00	R 0.00
Hard rock adjustment (%)			0		R 450.00	R 0.00
Toiletstructures	36666	36666	0		R 7,500.00	R 0.00
Outfall sewer dia (m)	0.00	0.40	0.40	0	R 1,300.00	R 0.00
Hard rock adjustment (%)			0		R 0.00	R 0.00
					R 600.00	R 0.00
Pumpstation Nr 1						
* Number	1	1	0		R 1,000,000.00	R 0.00
* Refurbishment (%)		10			R 1,000,000.00	R 100,000.00
Rising main dia (m)	0.15	0.20	0.13	3000	R 300.00	R 900,000.00
Hard rock adjustment (%)			50		R 300.00	R 450,000.00
Pumpstation Nr 2						
* Number	1	1	0		R 1,000,000.00	R 0.00
* Refurbishment (%)		10			R 1,000,000.00	R 100,000.00
Rising main dia (m)	0.20	0.20	0.02	2000	R 200.00	R 400,000.00
Hard rock adjustment (%)			50		R 300.00	R 300,000.00
Pumpstation Nr 3						
* Number	1	1	0		R 1,000,000.00	R 0.00
* Refurbishment (%)		10			R 1,000,000.00	R 100,000.00
Rising main dia (m)	0.20	0.20	0.02	2500	R 200.00	R 500,000.00
Hard rock adjustment (%)			50		R 300.00	R 375,000.00

Waste water treatment works

* Purification Plants					
* Capacity (Ml/d)	3.00	2.19	0.00	0.00	R 0.00
* Refurbishment (%)			5	0.00	R 1,350,000.00
* Oxidation Ponds					
* Capacity (Ml/d)	0	2.19	0.00	0.00	R 0.00
* Refurbishment (%)			0	0.00	R 0.00
SUB-TOTAL					R 4,575,000.00
TOTAL (Incl VAT & Prof Fees)					R 17,416,550.00



WATER & SANITATION BACKLOG ASSESSMENTS AS AT 30 JUNE 2012						
STANDS						
Town	Existing	Approved (Greenfields)	Accepted (y/n)	Formalised		
Nthla	3666	0	N	N	3666	
Lindley					480	
WATER						
Communal Water Purification Plant				Y		
Communal Bulk Supply to Reticulation reservoirs			Y	Y		
Communal Reticulation Reservoirs			Y	Y		
Communal Supply to Reticulation Networks			N	N		
Description	Current	Need	Backlog	Capacity	Length	Rate
Water Purification						
* Capacity (Ml/d)	3.46	3.86	0.40	0.50	R 6,000,000.00	R 3,000,000.00
* Refurbishment (%)			5		R 6,000,000.00	R 1,038,000.00
Bulk Supply dia (m)	0.20	0.24	0.14	1800	R 300.00	R 540,000.00
Hard rock adjustment (%)			50		R 300.00	R 270,000.00
Water Reticulation (1m deep)						
Reservoir capacity (Ml)	4.85	6.43	1.58	2.00	R 2,000,000.00	R 4,000,000.00
Internal Supply dia (m)	0.20	0.36	0.30	2050	R 865.00	R 1,773,250.00
Hard rock adjustment (%)			60		R 0.00	R 0.00
Water network (stands)	3666	3666	0		R 300.00	R 369,000.00
Hard rock adjustment (%)			0		R 2,100.00	R 0.00
Metered standpipes (no)	3666	3666	0		R 300.00	R 0.00
Water meters (no)	300	3666	3366		R 1,100.00	R 0.00
Rising main dia (m)	0.15	0.15	0.00	1500	R 0.00	R 1,851,300.00
SUB-TOTAL						R 12,841,550.00

SANITATION		
Communal Outfall Sewer	N	
Communal Rising Main (and pumpstations)	Y	
Communal Waste Water Treatment Works	Y	

Description	Current	Need	Backlog	Length	Rate	Costs
Waterborne Sewer (2m deep main, 1,5m deep erf connection)						
Sewer network (stands)	36666	36666	0		R 2,475.00	R 0.00
Hard rock adjustment (%)		0			R 600.00	R 0.00
Erf connections (stands)	36666	36666	0		R 3,795.00	R 0.00
Hard rock adjustment (%)		0			R 450.00	R 0.00
Toiletstructures	36666	36666	0		R 7,500.00	R 0.00
Outfall sewer dia (m)	0.00	0.40	0.40	0	R 1,300.00	R 0.00
Hard rock adjustment (%)		0			R 0.00	R 0.00
					R 600.00	R 0.00
Pumpstation Nr 1						
* Number	1	1	0		R 1,000,000.00	R 0.00
* Refurbishment (%)		10			R 1,000,000.00	R 100,000.00
Rising main dia (m)	0.15	0.20	0.13	3000	R 300.00	R 900,000.00
Hard rock adjustment (%)		50			R 300.00	R 450,000.00

Pumpstation Nr 1
* Number
* Refurbishment (%)
Rising main dia (m)
Hard rock adjustment (%)

Pumpstation Nr 2
* Number
* Refurbishment (%)
Rising main dia (m)
Hard rock adjustment (%)

Pumpstation Nr 3
* Number
* Refurbishment (%)
Rising main dia (m)
Hard rock adjustment (%)

Waste water treatment works						
* Purification Plants						
* Capacity (Ml/d)	3.00	2.19	0.00	0.00	R 9,000,000.00	R 0.00
* Refurbishment (%)			5	0.00	R 9,000,000.00	R 1,350,000.00
* Oxidation Ponds						
* Capacity (Ml/d)	0	2.19	0.00	0.00	R 2,000,000.00	R 0.00
* Refurbishment (%)			0	0.00	R 2,000,000.00	R 0.00
SUB-TOTAL					R 4,575,000.00	
TOTAL (Incl VAT & Prof Fees)					R 17,416,550.00	



WATER & SANITATION BACKLOG ASSESSMENTS AS AT 30 JUNE 2012					
STANDS					
Town	Existing	Approved (Greenfields)	Accepted (y/n)	Formalised	
Mmabubedu	2391	1600	N	2391	
Petrus Steyn				506	
WATER					
Communal Water Purification Plant			Y		
Communal Bulk Supply to Reticulation reservoirs			Y		
Communal Reticulation Reservoirs			Y		
Communal Supply to Reticulation Networks			N		
Description	Current	Need	Backlog	Capacity	Length
Water Purification					Rate
* Capacity (Ml/d)	999.00	2.79	0.00	0.00	R 6,000,000.00
* Refurbishment (%)			0		R 0.00
Bulk Supply dia (m)	0.15	0.21	0.14	35000	R 6,000,000.00
Hard rock adjustment (%)			50		R 300.00
Water Reticulation (1m deep)					
Reservoir capacity (Ml)	0.90	4.66	3.76	0.00	R 2,000,000.00
Internal Supply dia (m)	0.15	0.29	0.25	1000	R 575.00
Hard rock adjustment (%)			50		R 0.00
Water network (stands)	2391	2391	0		R 150,000.00
Hard rock adjustment (%)			0		R 0.00
Metered standpipes (no)	2391	2391	0		R 0.00
Water meters (no)	1195	2391	1196		R 550.00
SUB-TOTAL					R 25,132,800.00

SANITATION		
Communal Outfall Sewer	N	
Communal Rising Main (and pumpstations)	N	
Communal Waste Water Treatment Works	Y	

Description	Current	Need	Backlog	Capacity	Length	Rate	Costs
Waterborne Sewer (2m deep main, 1,5m deep erf connection)							
Sewer network (stands)	2391	2391	0			R 2,475.00	R 0.00
Hard rock adjustment (%)			0			R 600.00	R 0.00
Erf connections (stands)	2391	2391	0			R 3,795.00	R 0.00
Hard rock adjustment (%)			0			R 450.00	R 0.00
Toiletstructures	2391	2391	0			R 7,500.00	R 0.00
Outfall sewer dia (m)	0.00	0.30	0.30	0		R 950.00	R 0.00
Hard rock adjustment (%)			0			R 0.00	R 0.00
Pumpstations							
* Number	1	1	0			R 1,000,000.00	R 0.00
* Refurbishment (%)			10			R 1,000,000.00	R 100,000.00
Rising main dia (m)	0.2	0.15	0.00	800		R 0.00	R 0.00
Hard rock adjustment (%)			0			R 300.00	R 0.00
Waste water treatment works							
* Purification Plants							
* Capacity (Ml/d)	2.42	1.58	0.00	0.00		R 9,000,000.00	R 0.00
* Refurbishment (%)			8	0.00		R 9,000,000.00	R 1,633,500.00
* Oxidation Ponds							
* Capacity (Ml/d)	0	1.58	0.00	0.00		R 2,000,000.00	R 0.00
* Refurbishment (%)			0	0.00		R 2,000,000.00	R 0.00
SUB-TOTAL						R 1,733,500.00	
TOTAL (Incl VAT & Prof Fees)						R 26,866,300.00	

2.3 RELATING BACKLOGS TO MUNICIPAL SPENDING ON SERVICE DELIVERY INFRASTRUCTURE

The municipality has spent a substantial amount of money for the past three years on projects that are addressing infrastructure backlogs in the municipality. We made concerted efforts to address the bucket sanitation problems and we have also invested in the upgrading of purification plants for both water and waste water. We anticipate investing more on projects to address all the backlogs we are having as a municipality.

2.4 BUILDING PLANS AND RE-ZONING 2011/2012

Applications outstanding 1 July 2011	Category	Number of new applications received 2011/2012	Total value of applications received in Rand value	Applications outstanding 30 June 2012
3	Residential new	5	6 444.55	
2	Residential additions			
0	Commercial			
0	Industrial			
0	Other (Specify)			

The post of Building Inspector is vacant and the approval of building plans is a problem. Previously the assistance of Dihlabeng Municipality was obtained. This post is a key post that will be considered during coming budgetary cycles.



NKETOANA LOCAL MUNICIPALITY

Chapter 3

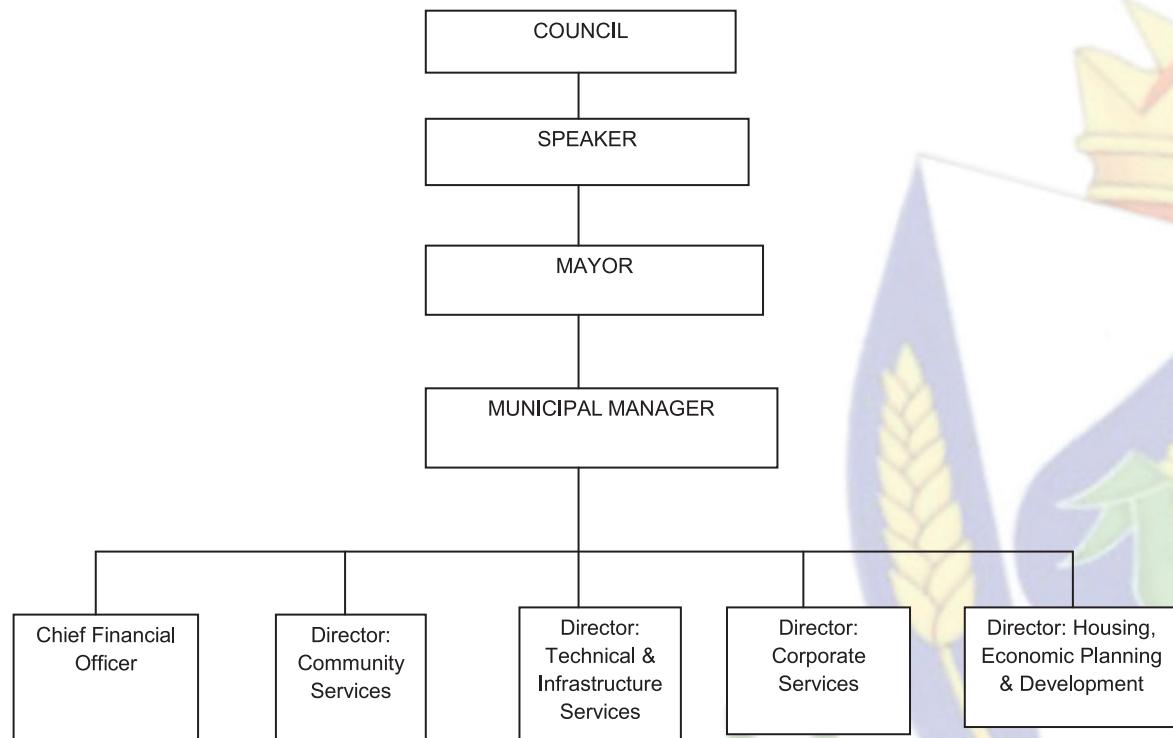


ANNUAL REPORT 2011/2012

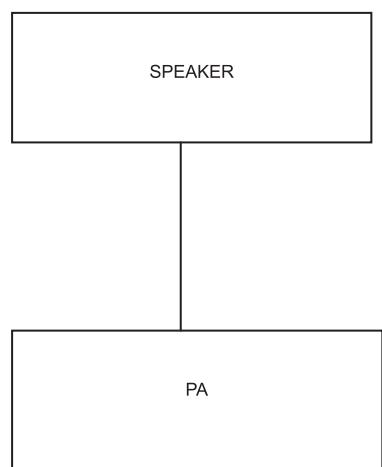
CHAPTER 3 - HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT

3.1 ORGANISATIONAL STRUCTURE

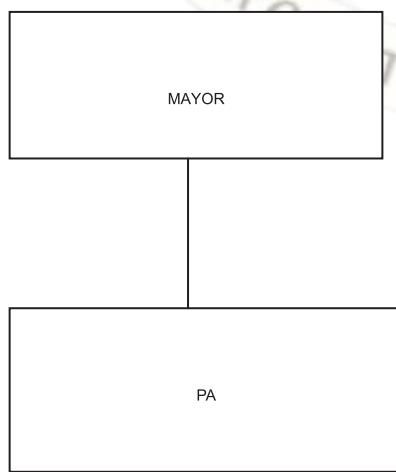
NKETOANA LOCAL MUNICIPALITY



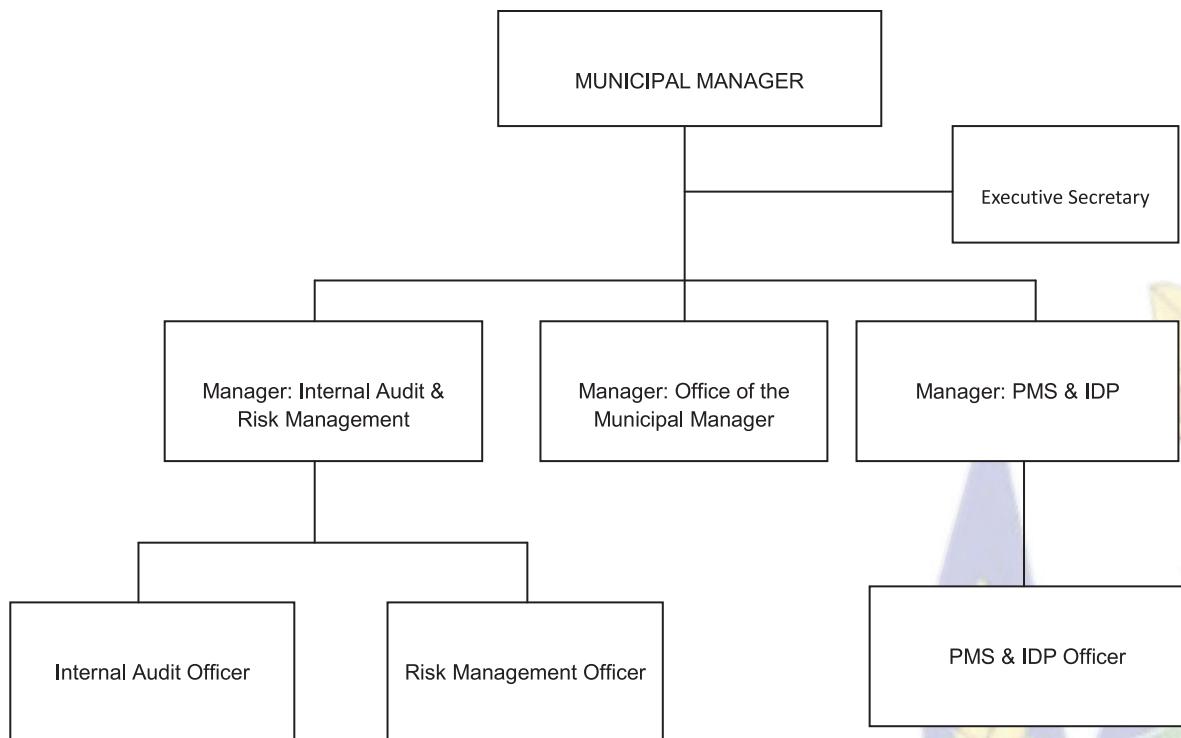
OFFICE OF THE SPEAKER



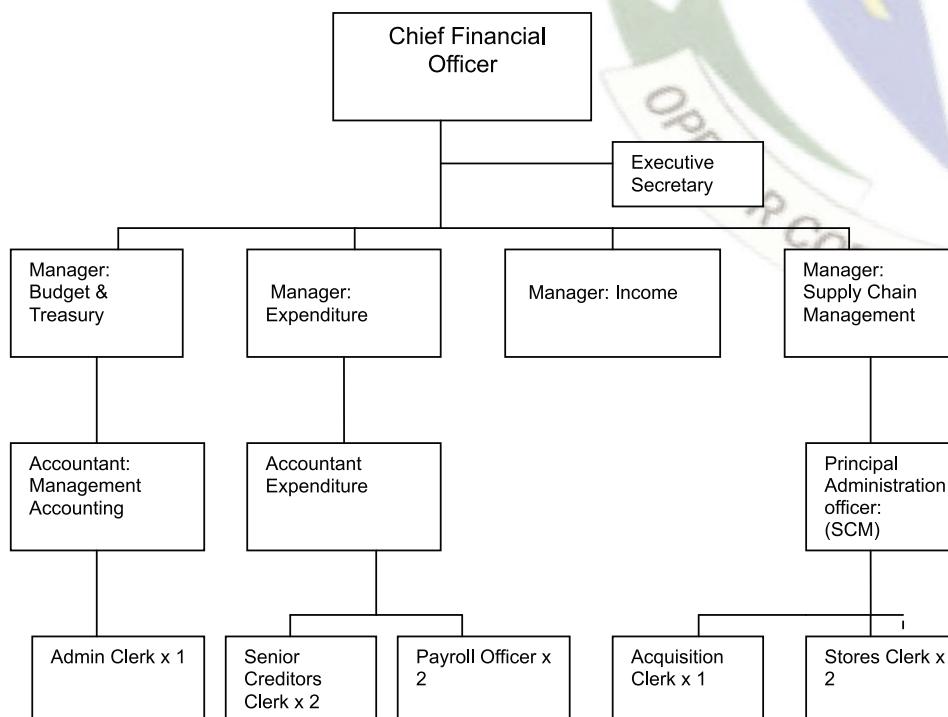
OFFICE OF THE MAYOR



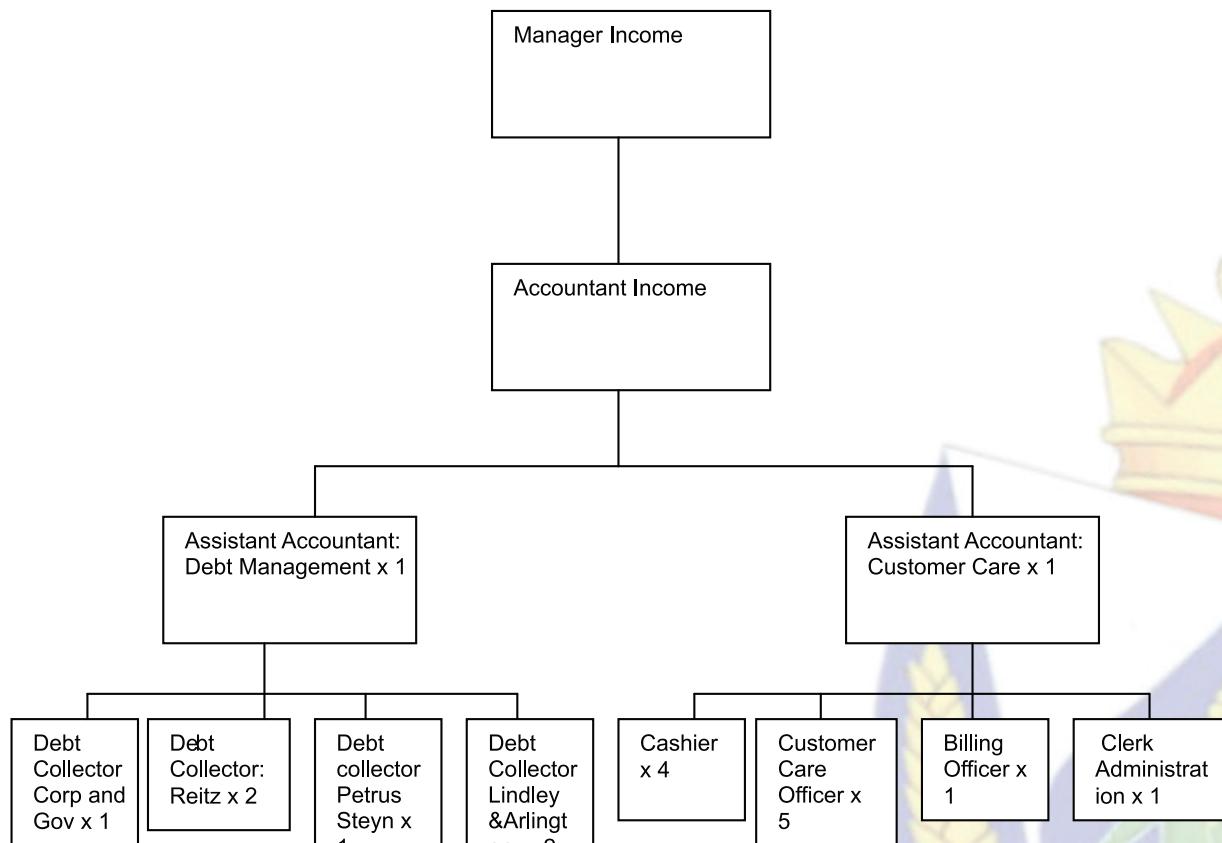
OFFICE OF THE MUNICIPAL MANAGER



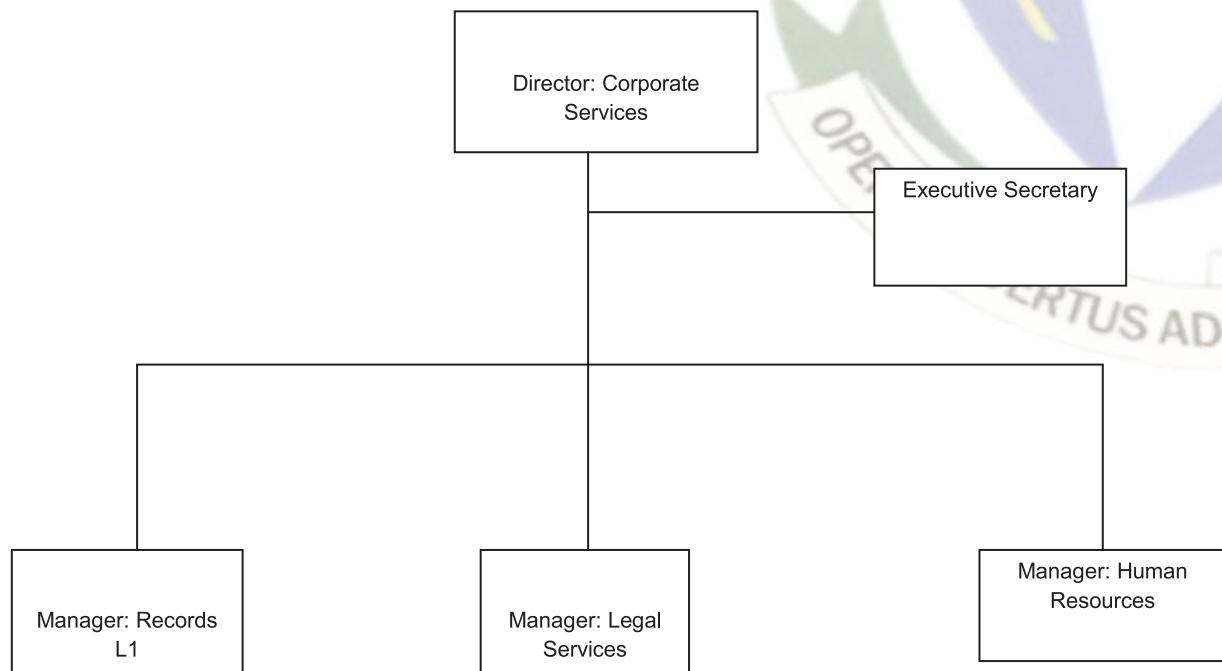
DIRECTORATE FINANCE



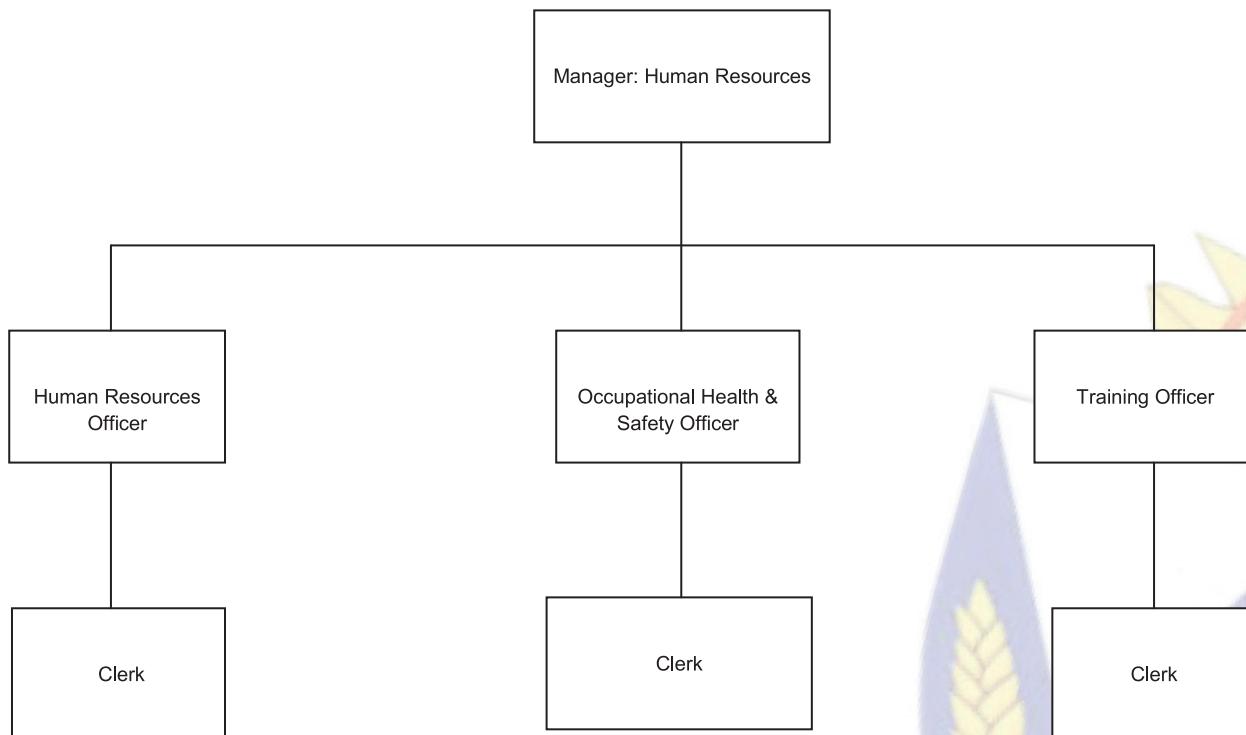
FINANCE DIRECTORATE (Cont.)
REVENUE



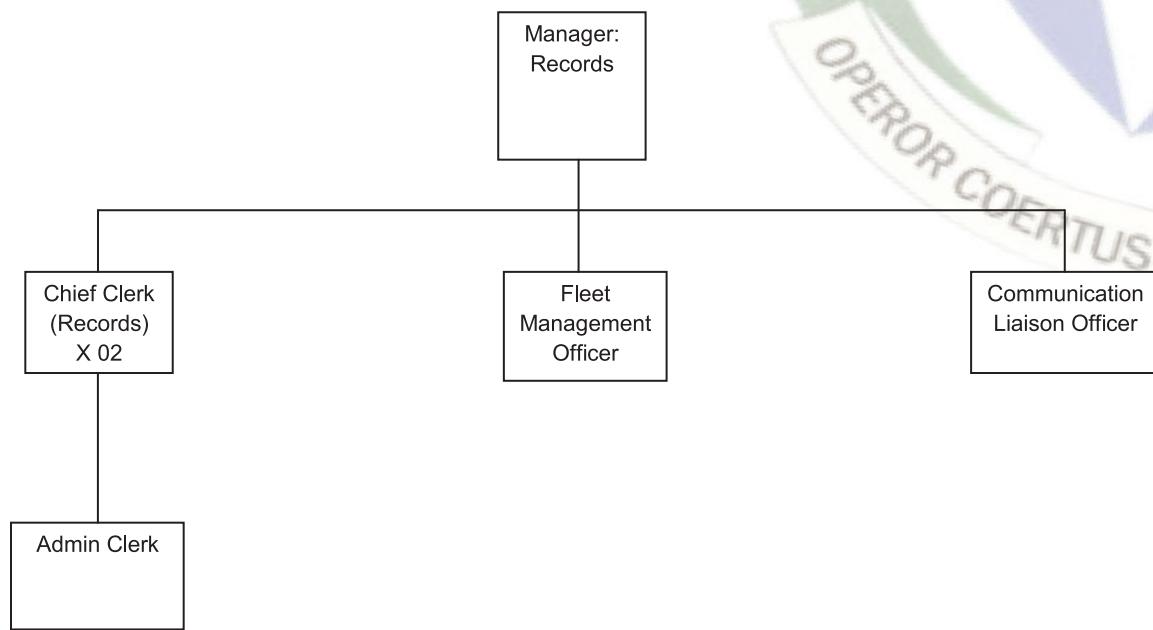
DIRECTORATE OF CORPORATE SERVICES



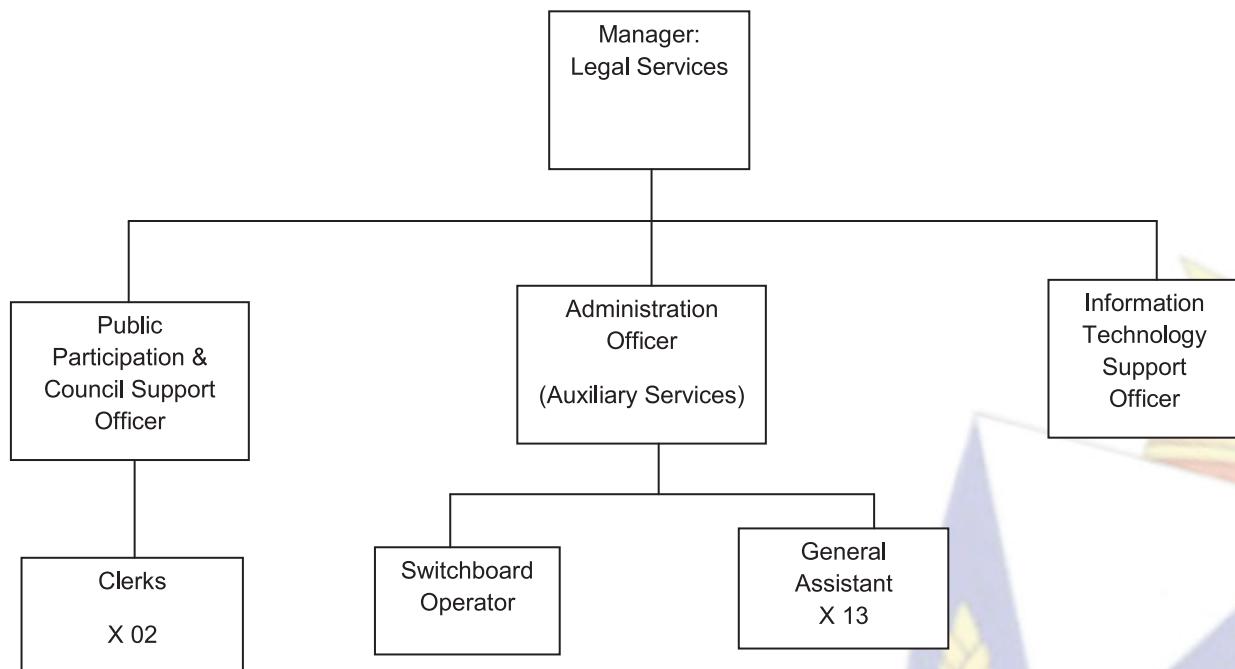
DIRECTORATE OF CORPORATE SERVICES (cont.)



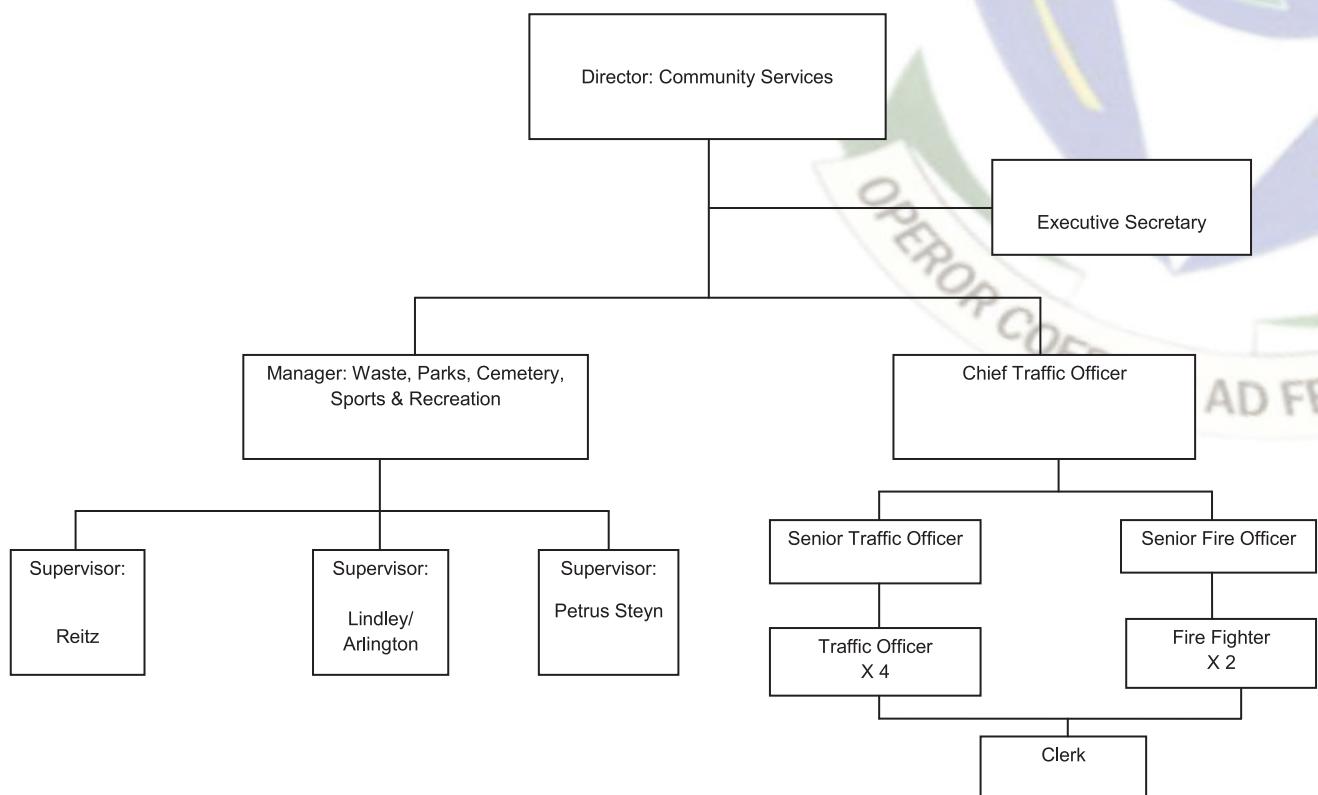
DIRECTORATE OF CORPORATE SERVICES



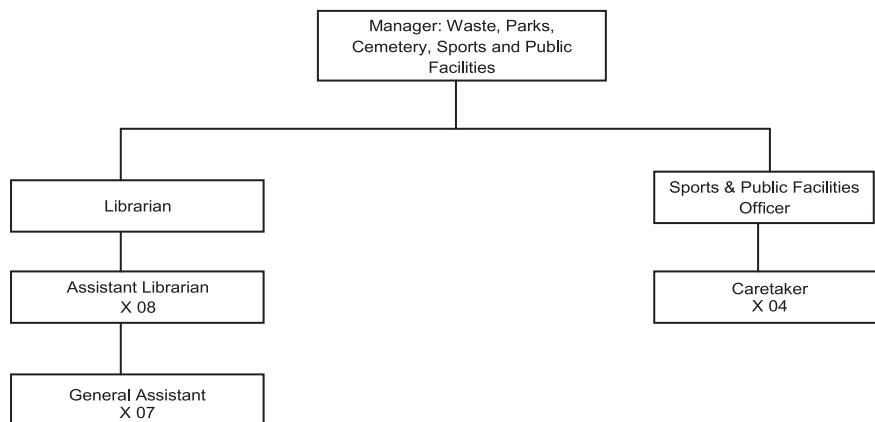
DIRECTORATE OF CORPORATE SERVICES



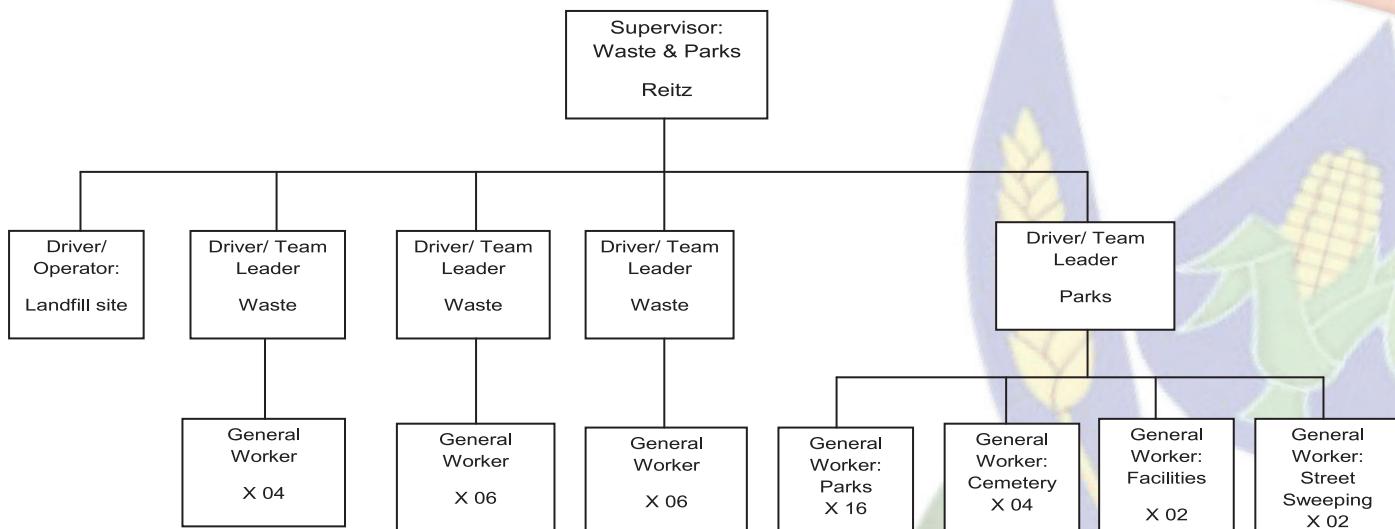
DIRECTORATE OF COMMUNITY SERVICES



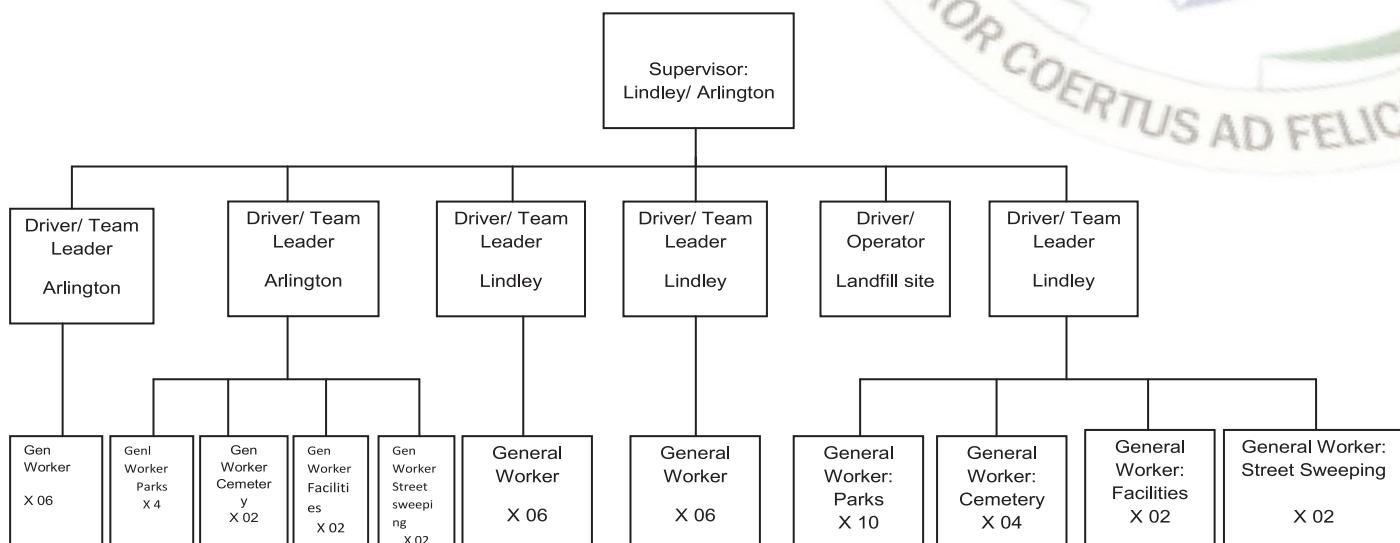
DIRECTORATE OF COMMUNITY SERVICES (cont.)



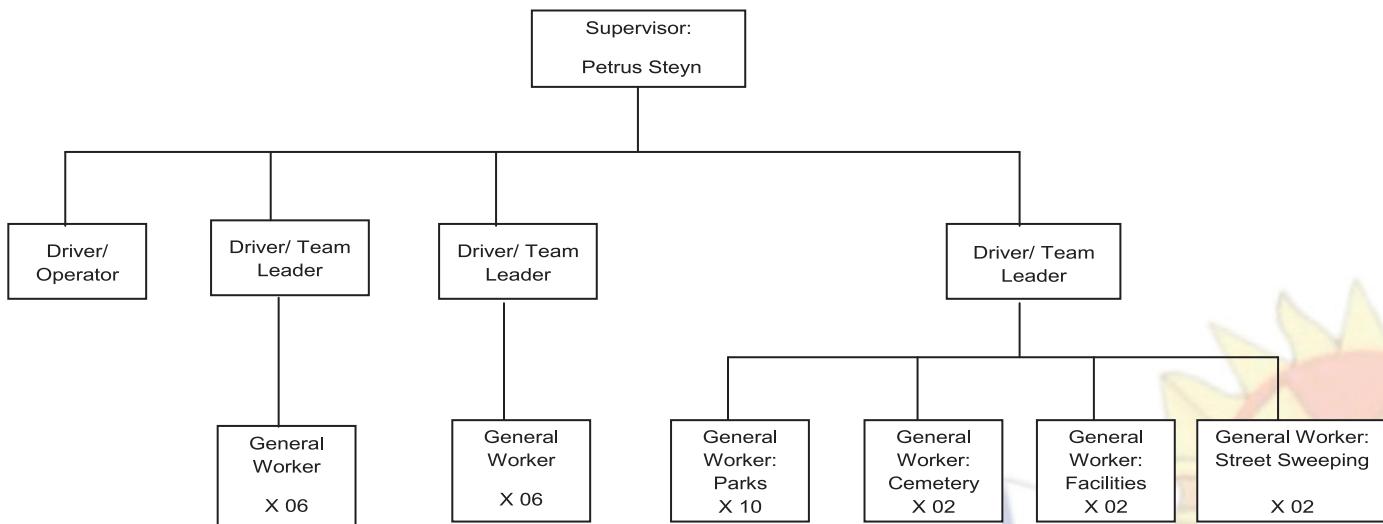
DIRECTORATE OF COMMUNITY SERVICES (Cont.)



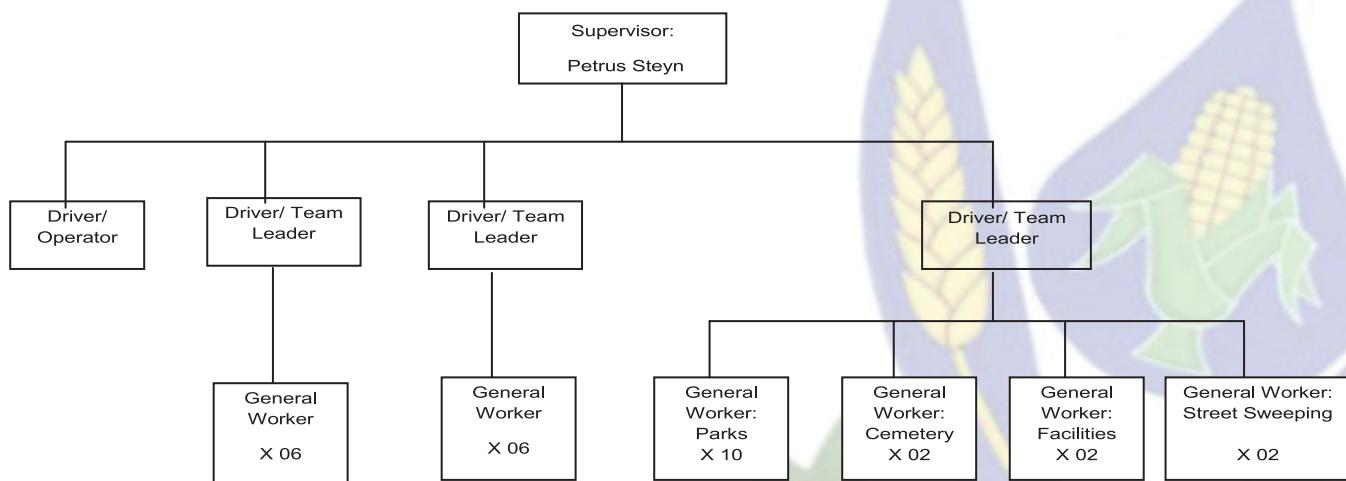
DIRECTORATE OF COMMUNITY SERVICES (Cont.)



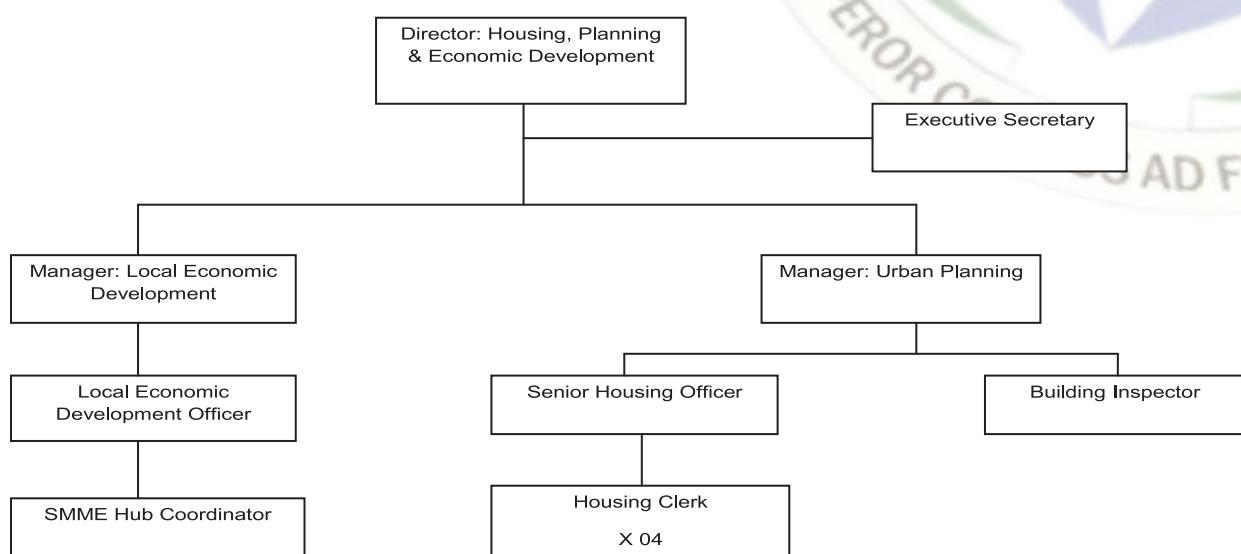
DIRECTORATE OF COMMUNITY SERVICES (Cont.)



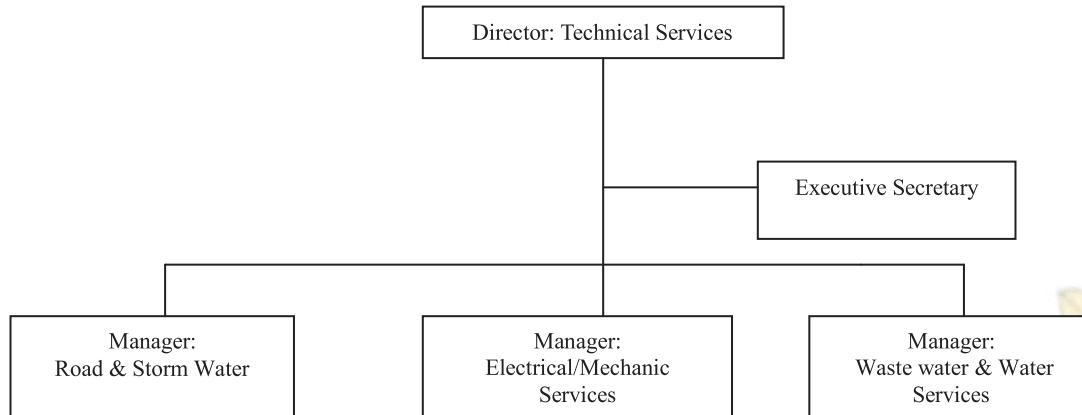
DIRECTORATE OF COMMUNITY SERVICES (Cont.)



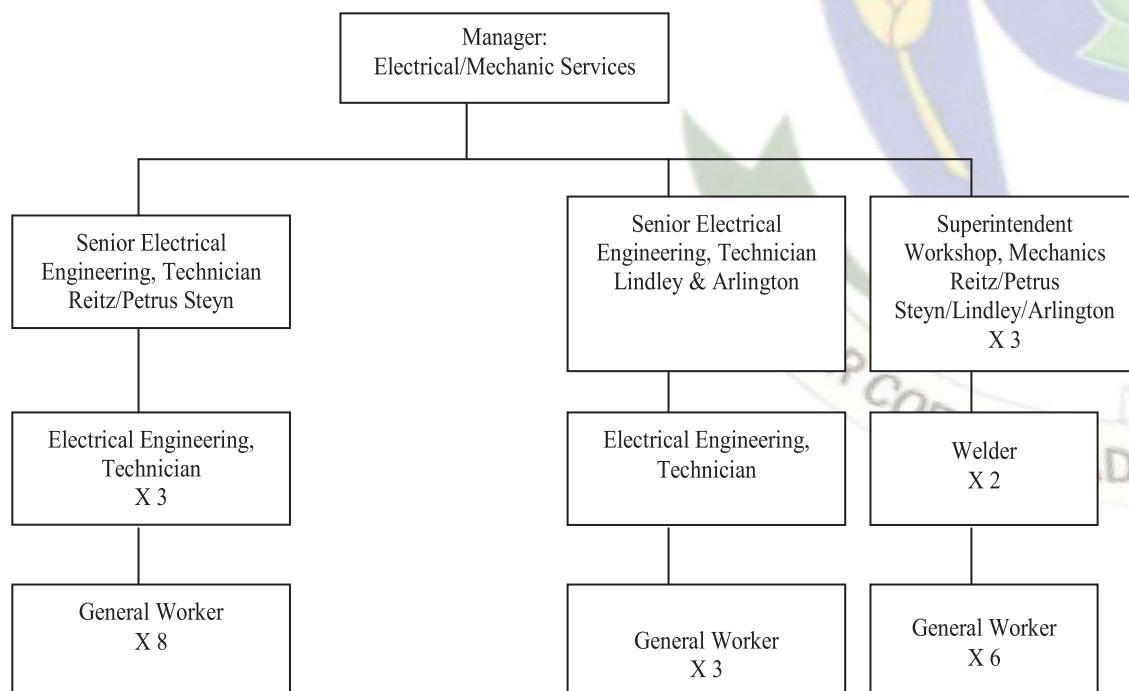
DIRECTORATE OF HOUSING, PLANNING & ECONOMIC DEVELOPMENT



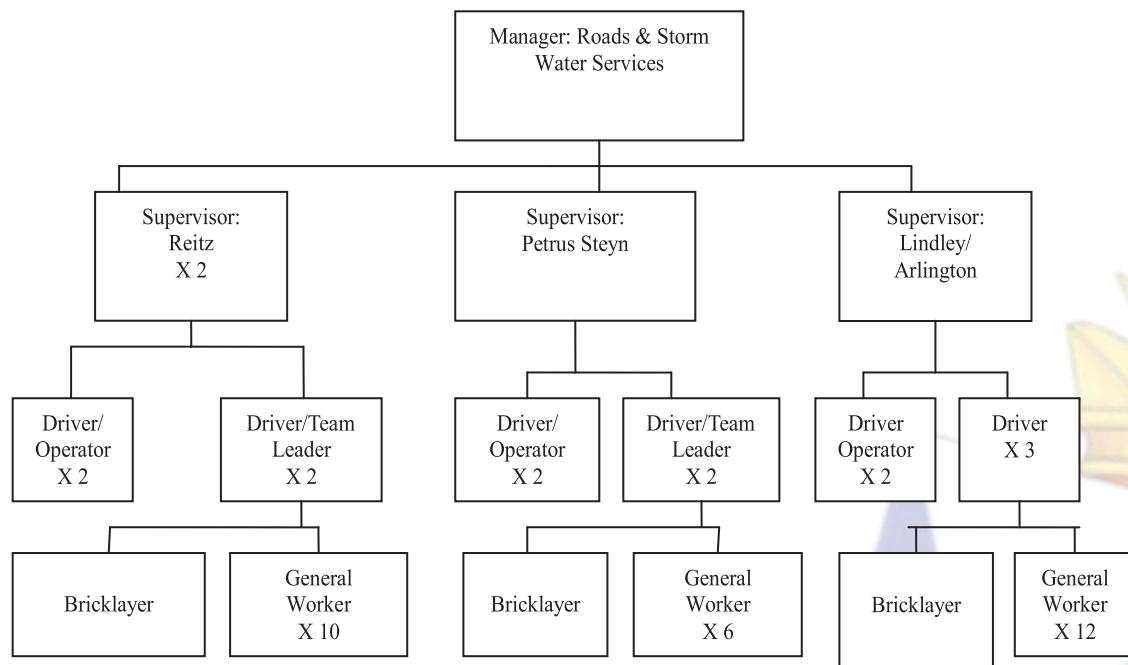
DIRECTORATE OF TECHNICAL & INFRASTRUCTURE SERVICES



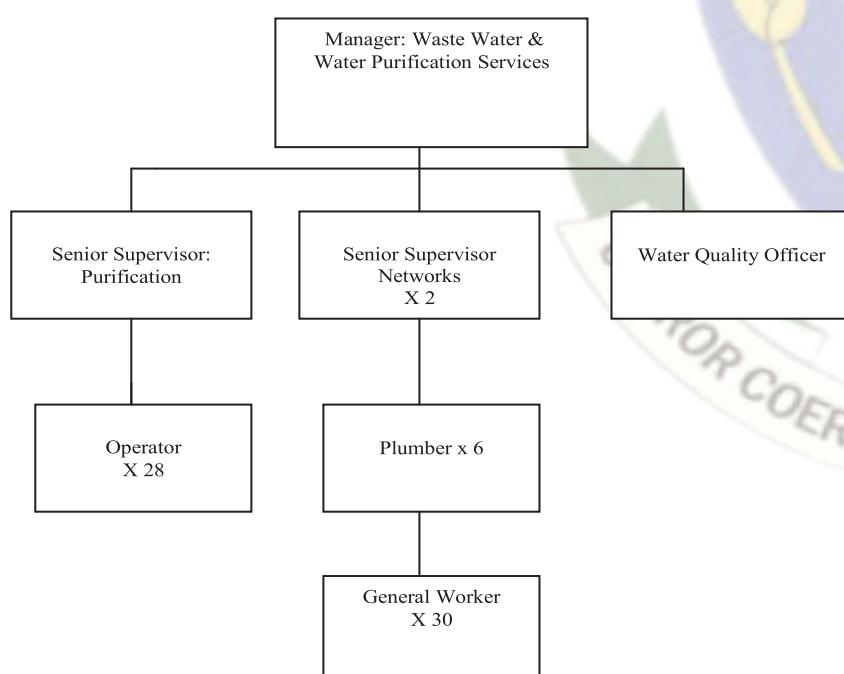
ELECTRICAL & MECHANICAL SERVICES



ROADS & STORM WATER SERVICES



WASTE WATER & WATER PURIFICATION SERVICES



3.2 COMMENTS ON STAFFING PER DEPARTMENT AND FUNCTION

3.2.1 GENERAL COMMENTS

The structure needs to be reviewed and adjusted to enable the municipality to comply fully in its mandate of providing services to the community and to fulfil its developmental role in South Africa. The municipality now has the following departments:

- Office of the Municipal Manager
- Finance
- Corporate Services
- Community services
- Technical and Infrastructure
- Housing, Planning and Local Economic Development

The head of each department will have the post title of Director. The previous assistant managers will now have the post title of Manager. The post title of assistant manager is removed from the structure.

3.2.2 OFFICE OF THE MUNICIPAL MANAGER

In the Office of the Municipal Manager the post of Chief Operations Officer is disbanded. However, the Municipal Manager created a post for a manager in the office of the municipal manager. As motivation to justify the new post, it is given that the secretary of the municipal manager is overloaded and this post will ensure that the workflow in the office will run smooth.

3.2.3 DEPARTMENT OF FINANCE

The Department of Finance has filled several posts during the financial year 2011/2012. However there are still key posts that are vacant. The most critical of it is the Manager Supply Chain. At present there is only one Supply Chain Management Officer. The work load is immense and the section sometimes fails to procure necessary items in time. This bottle neck can impact negatively on service delivery.

The Chief Financial Officer is also in a process of improving and developing the qualifications of the employees in his department. Relevant training and courses are attended by all employment levels.

The post of the Head of this department, the Director of Corporate Services is now filled. Another crucial post that is still empty is the manager Records. The functionality of the Records section is a challenge. Although a system for electronic archiving does exist, it is not functional at all. If this system can be fully implemented and utilized, the challenge in Records can be solved. At this stage Records contemplates a risk to the municipality that can prevent the municipality from achieving its objectives.

In the Human Resources section the vacant post for a Manager Human Resource is filled. The backlog that existed in the completion of disciplinary matters as well as in developing of policies related to Human Resource management will now received the attention it needs.

3.2.5 DEPARTMENT OF INFRASTRUCTURE AND TECHNICAL SERVICES

The post of the Head of this department, the Director of Infrastructure and Technical Services is still vacant. This is a Section 57 post. At this stage the CFO is acting also in this capacity. There is a delay in appointment of this post due to the lack of a suitable candidate

The Municipal Manager obtained a person from DBSA to assist, but the person is not fully functioning as the head of the department. At this stage the CFO is acting as the Head of the department.

There are several key posts still vacant on the level of artisans. These people are in a category of very scarce skills. It is envisaged that the only way to fill these posts with competent people will be to go the route of headhunting to fill the posts ultimately.

In this department there are also several vacancies regarding general worker posts. The reason for delay of appointments in these posts is a pending labour issue. The municipality used for several years contract workers in these posts that were rotating on a basis of two weeks. They were seen as temporary workers and were never permanently appointed. This practice resulted in a labour dispute. The outcome of the action was an agreement between Labour and Management that the workers involved will be appointed permanently and the surplus workers will be paid an amount as determined by the Labour Court. This process is in progress and will only be completed in the coming financial year.

3.2.5 DEPARTMENT OF COMMUNITY SERVICES

In this department there are key posts not filled. The Director Community Services, a Section 57 post, is filled. The only section where a risk can occur is in the Housing section. A senior staff member passed away and the post was filled. Inexperience can pose as a potential risk. However, the clerks left in the section are coping well and the work still flows.

3.2.5 DEPARTMENT OF PLANNING, LED AND HOUSING

This department was established in the beginning of the 2011/2012 financial year. A director to be the Head of this department was never appointed. The Director of Community Services is acting as the Head of the newly established department. At this stage the Housing section is fully staffed in all four units.

The planning section is still not fully staffed and the appointment of an urban planner is a crucial need. The post of building inspector was filled with success.

The LED section is only having a manager for LED and an official for LED. The section is not fully functional and it is seen as an urgent priority to get the section functional.



3.3 DISCLOSURES CONCERNING REMUNERATION OF COUNCILLORS AND SENIOR OFFICIALS FOR THE PERIOD 1 JULY 2011 TO 30 JUNE 2012

DESCRIPTION	MAYOR	SPEAKER	4 EXCO MEMBERS	MUNICIPAL MANAGER	CHIEF FINANCIAL OFFICER	DIRECTOR COMMUNITY SERVICES	DIRECTOR CORPORATE SERVICES	DIRECTOR INFRASTRUCTURE AND MECHANICAL SERVICES	DIRECTOR HOUSING, PLANNING AND LED
Salaries Normal Overtime	687 701.25 N/A	519 116.59 N/A	1 112 149.84 N/A	595 873.92 N/A	539 099.04 N/A	VACANT	558 299.04 N/A	VACANT	VACANT
Contributions Pension Medical Aid Other	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A	1 497.36 N/A N/A	1 467.36 N/A N/A	1 497.36 N/A N/A	1 497.36 N/A N/A	N/A N/A N/A	
Allowances Travel and motor car Accommodation Subsistence Housing Telephone	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A	397 419.26	149 767.61	158 238.24	73 02.65	N/A N/A N/A N/A N/A	
Loans and Advances	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other Benefits	N/A	N/A	N/A	N/A	N/A	24 000.00	42 000.00	N/A	N/A
Arrears Owed	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL	687 701.25	519 116.59	1 112 149.84	994 790.54	690 364.01	715 634.64	674 839.05	VACANT	VACANT





NKETOANA LOCAL MUNICIPALITY

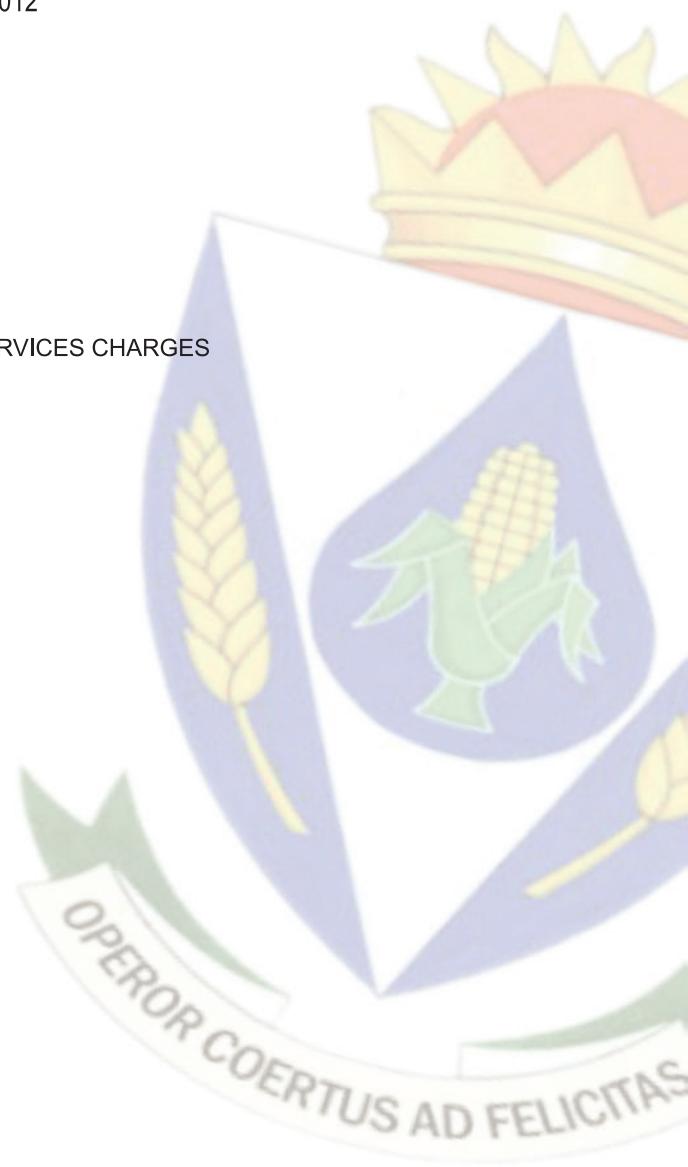
Chapter 4



ANNUAL REPORT 2011/2012

CHAPTER 4 - AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

- 4.1 AUDIT REPORT 2011/2012
- 4.2 AUDITED ANNUAL FINANCIAL STATEMENTS 2011/2012
- 4.3 ACTION PLAN ON AUDIT REPORT 2011/2012
- 4.4 BUDGET 2011/2012
- 4.5 BUDGET TO ACTUAL COMPARISON
- 4.6 INTEGRATED GRANTS
- 4.7 REPORT ON ARREARS ON MUNICIPAL TAXES AND SERVICES CHARGES
- 4.8 REPORT ON REVENUE PER SOURCE



REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL OF NKETOANA LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

- I have audited the financial statements of the Nketoana Local Municipality set out on pages 50 to 134, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

- The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

- My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
- An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

- In my opinion, the financial statements present fairly, in all material respects, the financial position of the Nketoana Local Municipality as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

- I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

- As disclosed in note 42 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during the 2011-12 financial year in the financial statements of the Nketoana Local Municipality at, and for the year ended, 30 June 2011.

Material impairments and losses

- As disclosed in note 6 to the financial statement, a debt impairment provision to the amount of R145 092 481 (2011:R153 446 038) was made for doubtful debts, due to poor collection practices.
- As disclosed in note 50 to the financial statements, material losses of water and electricity to the amount of R12 607 434 (2011: R21 841 970) were incurred as a result of inadequate controls by management to monitor distribution losses.

Unauthorised expenditure

- As disclosed in note 46 to the financial statements, unauthorised expenditure to the amount of R21 430 022 (2011:R91 976 261) was incurred, as the municipality had exceeded its total budget for the year ended 30 June 2012.

Irregular expenditure

- As disclosed in note 48 to the financial statements, irregular expenditure to the amount of R8 627 947 (2011:R8 922 579) was incurred, which was mainly due to non-compliance with the supply chain management requirements in respect of expenditure transactions. The full extent of the irregularities of R8 627 947 is still in the process of being determined.

Additional matter

- I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

- The supplementary information set out on pages 131 to 134 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

- I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages xx to xx of the annual report.

17. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned development objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury *Framework for managing programme performance information* (FMPPI).

The reliability of the information in respect of the selected development objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

18. The material findings are as follows:

Usefulness of information

Presentation

19. Improvement measures in the annual performance report for a total of 100% of the planned targets not achieved were not disclosed as required by section 46 of the Municipal Systems Act of South Africa, 2000 (Act No.32 of 2000) (MSA). This was due to lack of internal policies and procedures over the processes pertaining to the reporting of performance information.

Consistency

20. The MSA, section 41(c), requires that the integrated development plan (IDP) should form the basis for the annual report, therefore requiring the consistency of objectives, indicators and targets between planning and reporting documents. A total of 100% of the reported objectives, indicators and targets are not consistent with the objectives, indicators and targets as per the approved (IDP). This is due to the lack of internal policies and procedures over the processes pertaining to the reporting of performance information and the use of an incorrect template for reporting.

Reliability of information

Validity, accuracy and completeness

21. The FMPPI requires that documentation addressing the systems and processes for identifying, collecting, collating, verifying and storing information be properly maintained. The institutions could not provide sufficient appropriate evidence to support any of the selected development objectives.

Compliance with laws and regulations

22. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the general notice issued in terms of the PAA are as follows:

Strategic planning and performance management

23. The municipality did not establish a performance management system and did not clarify the roles and responsibilities of each role player in the functioning of the system. Furthermore, the municipality did not determine the frequency of reporting and the lines of accountability for performance and did not relate to the municipality's performance management processes and did not provide for procedures by which the system is linked to the municipality's integrated development planning processes, as required by section 38 (a) of the MSA and Municipal Planning and Performance Management Regulation 7(2)(c),(e), (f) and (g).
24. The municipality did not monitor performance, with regard to each of those development objectives and against the key performance indicators and targets set and did not measure and review performance at least once per year, with regard to each of those development objectives and against the key performance indicators and targets set. Furthermore, the municipality did not take steps to improve performance with regard to those development priorities and objectives where performance targets are not met as required by section 41 of the MSA.

Budgets

25. The accounting officer did not assess the first half of the financial year performance of the municipality, as required by section 72(1) and 72(1)(a)(ii) / 88(1) of the MFMA.

Annual financial statements, performance and annual reports

26. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets and disclosure items identified by the auditors in the financial statements submitted were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.
27. The 2010-11 annual report was not tabled in the municipal council within seven months after the end of the financial year, as required by section 127(2) of the MFMA.
28. The accounting officer did not make the 2010-11 annual report public, as required by section 127(5)(a) of the MFMA, because the annual report was not tabled in the council.
29. The annual report for the year under review did not include (i) an assessment by the accounting officer of any arrears on municipal taxes and service charges, (ii) the accounting officer's assessment of the municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each budget vote and (iii) the report of the audit committee as stated by MFMA 121(3)(e)(f)(j) and 121(4)(c)(g).
30. The annual performance report for the year under review does not include the performance of the municipality and names of external service providers, a comparison of the performance with set targets, a comparison with the previous financial year as well as

measures taken to improve performance, as required by section 46(1)(a), (b) and(c) of the MSA.

Audit committees

31. The audit committee did not advise the council on matters relating to risk management, accounting policies, effective governance, performance management and performance evaluation as required by section 166(2)(a) of the MFMA.
32. The audit committee did not respond to the council on the issues raised in the audit reports of the Auditor-General, as required by section 166(2)(c) of the MFMA.
33. A performance audit committee was not in place and the audit committee established in terms of MFMA section 166(1) was not used for this function, as required by Municipal Planning and Performance Management Regulation 14(2)(a).

Internal audit

34. The internal audit unit did not audit the results of performance measurements, as required by section 45(1)(a) of the MSA and Municipal Planning and Performance Management Regulation 14(1)(a).
35. The internal audit unit did not assess the functionality of the performance management system, whether the performance management system complied with the requirements of the MSA and the extent to which the performance measurements were reliable in measuring the performance of the municipality on key and general performance indicators, as required by Municipal Planning and Performance Management Regulation 14(1)(b)(i), (ii) and (iii).
36. The internal audit unit did not audit the performance measurements on a continuous basis and submitted quarterly reports on their audits to the municipal manager, as required by Municipal Planning and Performance Management Regulation 14(1)(c).

Procurement and contract management

37. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by supply chain management (SCM) regulation 17(a) & (c).
38. Sufficient appropriate audit evidence could not be obtained that quotations were only awarded to providers whose tax matters have been declared by the South African Revenue Service to be in order as required by SCM regulation 43.
39. Quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).

Human resource management and compensation

40. Job descriptions were not established for all posts in which appointments were made in the current year, in contravention of section 66(1)(b) of MSA.

Expenditure management

41. The accounting officer did not take reasonable steps to prevent unauthorised and irregular expenditure, as required by section 62(1)(d) of the MFMA.

42. The accounting officer did not take reasonable steps to prevent irregular expenditure, as required by section 95(d) of the MFMA.

43. Irregular expenditure was not properly investigated and as a result was not recovered from the liable person, as required by section 32(2) of the MFMA.

Revenue management

44. A credit control and debt collection policy was not implemented, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of MFMA.

Internal control

45. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations, included in this report.

Leadership

46. Management did not adequately exercise oversight responsibility over compliance with laws and regulations as well as internal control due to the accounting officer not directing and reviewing the performance of the system of internal control and continuously monitor compliance with laws and regulations. It resulted in significant deviations in compliance with applicable laws and regulations and I was not able to confirm the reliability of performance information.

47. Effective human resource management to ensure that adequate and sufficiently skilled resources are in place in the procurement and information technology (IT) section was not implemented. It was mainly due to the fact that the applications for positions advertised did not meet the requirement of skilled and competent candidates.

48. Policies and procedures to enable and support processes with regard to an effective performance management system were not established and implemented as significant findings with regard to performance information were noted. It was due to management not regarding performance information as a main priority.

49. Management did not develop an action plan to address prior year findings in time and therefore it was not fully implemented, resulting in repeat findings with regard to internal control, compliance, information systems, procurement and performance information.

50. Due to a lack of capacity and appropriately skilled IT personnel, management had not enforced proper control over and monitoring of user access control, service provider's activities and IT governance processes.

Financial and performance management

51. Proper record keeping was not implemented in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support performance reporting as management did not regard it as a high priority to ensure that formal performance management processes are in place which resulted in material deficiencies in performance information.
52. Regular, accurate and complete financial statements were not prepared by management due to the fact that the financial statements were not properly reviewed, which resulted in material adjustments that were made to the financial statements.
53. Compliance with applicable laws and regulations was not continuously monitored by management, which resulted in significant instances of non-compliance that could have been prevented.

Governance

54. Appropriate risk management activities should ensure that regular risk assessments, including consideration of IT risks, were not conducted because a risk committee was not established and an integrated risk management strategy and risk assessment plan were not compiled.
55. The internal audit division did not audit performance measurements on a continuous basis as the internal audit division did not regard it as a main priority.
56. The audit committee did not provide oversight over the effectiveness of the internal control environment and compliance with laws and regulations as the committee did not respond to the council on any issues raised by the Auditor-General in the audit report and also did not perform the duties of a performance audit committee because the audit committee did not realise the importance of their oversight role in regard of the performance management system, internal control and compliance with laws and regulations.

OTHER REPORTS

Investigations

57. An investigation is being conducted by independent forensic auditors at the request of the bank regarding alleged fraudulent transactions which occurred on 22 and 25 October 2010 from two bank accounts of the municipality. The investigation commenced in the prior financial year. A charge was laid at a police station and suspects were arrested. The money that was defrauded was partially recovered. The amount which was not recovered was R1780 000. Currently, the hacking of the cash focus system is being investigated to determine if the bank can be held responsible for the failure in internal controls. The investigation was still ongoing at the reporting date.

Auditor-General

Bloemfontein
30 November 2012



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



**NKETOANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**



Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

General Information**Legal form of entity**

Local municipality

Demarcation number:FS193

Nature of business and principal activities

Providing municipal service and maintain the best interests of the local community mainly in the Reitz area.

Mayoral council

M. Molapisi (Mayor)

P. Nkomo (Speaker)

Executive committee

M. Malindi (Executive Member)

M. Mphaka (Executive Member)

M. Blignaut (Executive Member)

M. Moloedi (Executive Member)

Councillors

G. Nhlapo

P. Mofokeng

T. Radebe

M. Nakedi

M. Mosia

M. Semela

K. Mokoena

N. Shabalala

P. Sibeko

P. Moshoadiba

S. Du Preez

S. Henning

Grading of local authority

Medium Capacity

Grade 3 in terms of the Remuneration of Public Office Bearers Act.

Accounting Officer

SM Nhlapo(Acting Municipal Manager)

Chief Finance Officer (CFO)

VB Mkhefa

Registered office

Corner Church and Voortrekker

Reitz

9810

Business address

Corner Church and Voortrekker

Reitz

9810

Postal address

P.O. Box 26

Reitz

9810

Bankers

ABSA (Primary bank)

Auditors

Auditor General South Africa

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Contents	Page
Accounting Officer's Responsibilities and Approval	4
Audit Committee Report	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Accounting Policies	10 - 39
Notes to the Annual Financial Statements	40 - 77
Appendices:	
Appendix A: Schedule of External loans	79
Appendix B: Analysis of Property, Plant and Equipment	80
Appendix C: Segmental Statement of Financial Performance	82
Appendix D: Actual versus Budget (Revenue and Expenditure)	83
Appendix E: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	85

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Index**Abbreviations**

DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
VAT	Value Added Tax
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MFMG	Municipal Finance Management Grant
LG SETA	Local Government
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
ABSA	Amalgamated Bank of South Africa
MSIG	Municipal System Improvement Grant
SARS	South African Revenue Service

A report of the accounting officer has not been prepared as the municipality is a wholly owned controlled entity of Nketoana Municipality which is incorporated in South Africa.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 43-49.

The annual financial statements set out on pages 50-134, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2012 and were signed on its behalf by:

Accounting Officer
SM Nhlapo (Acting Municipal Manager)



Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2012.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year six meetings were held.

Name of member	Number of meetings attended
Mr EM Mohlahlo (Chairperson)	1
Mrs LM Sefako	1
Mrs SD Lebeko	6
Mr GA Ntsala	5

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal control was not entirely effective for the year under review. During the year under review, several deficiencies in the system of internal control and/or deviations from there from were reported by the internal auditors and the Auditor-General South Africa. In certain instances, the matters reported previously have not been fully and satisfactorily addressed.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: _____

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Position

Figures in Rand	Note(s)	2012	Restated 2011
Assets			
Current Assets			
Inventories	3	211,506	270,372
Receivables from non-exchange transactions	4	4,059,701	4,399,004
VAT receivable	5	3,502,201	-
Consumer debtors	6	60,045,584	41,863,246
Cash and cash equivalents	7	17,128,369	10,157,600
		84,947,361	56,690,222
Non-Current Assets			
Biological assets that form part of an agricultural activity	8	11,200	67,544
Investment property	9	3,076,742	3,195,000
Property, plant and equipment	10	625,266,787	654,882,413
Intangible assets	11	717,924	119,162
Investments	12	3,828,275	3,651,295
		632,900,928	661,915,414
Total Assets		717,848,289	718,605,636
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	20,159,120	16,727,025
VAT payable	14	11,516,511	13,284,422
Consumer deposits	15	1,191,285	1,172,068
Unspent conditional grants and receipts	16	5,657,957	944,802
current portion of Non-Current borrowings	21	430,325	356,332
		38,955,198	32,484,649
Non-Current Liabilities			
Other financial liabilities	17	9,154,440	9,472,849
Employee benefit obligations	19	6,586,000	6,491,000
Provisions	18	3,869,757	3,542,327
		19,610,197	19,506,176
Total Liabilities		58,565,395	51,990,825
Net Assets		659,282,894	666,614,811
Accumulated surplus		659,282,894	666,614,811

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Performance

Figures in Rand	Note(s)	2012	Restated 2011
Revenue			
Exchange revenue			
Property rates	22	11,008,056	10,681,610
Service charges	23	74,593,511	55,896,336
Rental of facilities and equipment		323,901	237,667
Interest received (trading)		15,529,229	8,262,230
Non-exchange revenue			
Public contributions and donations		10,441,162	-
Fines		195,850	201,569
Government grants & subsidies	24	93,689,626	85,041,490
Discount received		7,654	-
Recoveries bad debts provision		8,353,558	-
Other income	26	2,034,288	4,283,483
Interest received - investment	27	962,951	1,272,530
Interest received - other	27	-	42,476
Total Revenue		217,139,786	165,919,391
Expenditure			
Personnel	28	(46,120,645)	(38,540,277)
Remuneration of councillors	29	(4,826,985)	(4,680,649)
Depreciation and amortisation	30	(63,963,155)	(61,270,853)
Finance costs	31	(1,418,917)	(1,018,119)
Debt impairment	32	(43,155,573)	(50,593,628)
Repairs and maintenance		(10,510,882)	(11,330,332)
Bulk purchases	33	(17,391,204)	(19,531,506)
Loss on disposal of assets		(29,956)	(198,500)
General Expenses	34	(34,348,715)	(32,625,593)
Total Expenditure		(221,766,032)	(219,789,457)
Fair value adjustments		149,615	31,315
Deficit for the year		(4,476,631)	(53,838,751)

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	761,114,655	761,114,655
Adjustments		
Correction of errors	(40,865,514)	(40,865,514)
Prior year adjustments	204,421	204,421
Balance at 01 July 2010 as restated	720,453,562	720,453,562
Changes in net assets		
Surplus for the year	(53,838,751)	(53,838,751)
Total changes	(53,838,751)	(53,838,751)
Opening balance as previously reported	666,614,801	666,614,801
Adjustments		
Prior year adjustments	(2,855,276)	(2,855,276)
Balance at 01 July 2011 as restated	663,759,525	663,759,525
Changes in net assets		
Surplus for the year	(4,476,631)	(4,476,631)
Total changes	(4,476,631)	(4,476,631)
Balance at 30 June 2012	659,282,894	659,282,894

Note(s)

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Receipts			
Sale of goods and services		43,963,187	31,067,471
Grants		93,689,626	85,041,490
Interest income		962,951	1,315,006
Other receipts		3,097,497	4,044,574
		141,713,261	121,468,541
Payments			
Employee costs		(50,947,630)	(43,220,925)
Suppliers		(58,628,376)	(56,223,120)
Finance costs		(986,333)	(1,018,119)
		(110,562,339)	(100,462,164)
Net cash flows from operating activities	37	31,150,922	21,006,377
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(23,228,890)	(29,855,597)
Proceeds from sale of property, plant and equipment	10	-	(198,500)
Purchase of other intangible assets	11	(755,759)	(143,520)
Proceeds from sale of financial assets		(27,365)	(168,234)
Proceeds from sale of biological assets that form part of an agricultural activity	8	27,500	-
Other cash item	38	(1,112)	4,961,090
Net cash flows from investing activities		(23,985,626)	(25,404,761)
Cash flows from financing activities			
Repayment of non-current borrowings		(194,527)	(324,546)
Net cash flows from financing activities		(194,527)	(324,546)
Net increase/(decrease) in cash and cash equivalents		6,970,769	(4,722,930)
Cash and cash equivalents at the beginning of the year		10,157,600	14,880,530
Cash and cash equivalents at the end of the year	7	17,128,369	10,157,600

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.2 Biological assets that form part of an agricultural activity

An entity shall recognise a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

An unconditional government grant related to a biological assets that form part of an agricultural activity measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Derecognition

Biological assets is derecognised on disposal or when biological assets is loss through natural course and included in profit and loss in period losses are accounted.

1.3 Investment property

Initial Recognition

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.3 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Land	indefinite
Buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.4 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation and Impairment

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	30 years
Furniture and fixtures	7-10 years
Motor vehicles	5-7 years
Office equipment	3-5 years
Computer equipment	5 years
Computer software	5 years
Infrastructure	
• Roads and Paving	20 years
• Pedestrian malls	20 years
• Electricity	20-30 years
• Water	15-20 years
• Sewerage	15-20 years

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies**1.4 Property, plant and equipment (continued)**

Community

• Building	30 years
• Recreational facilities	30 years
• Security	30 years
• Halls	30 years
• Libraries	30 years
• Parks and gardens	30 years
• Other assets	20-30 years

Specialised property, plant and equipment

Specialised property, plant and equipment	5-15 years
-------------------------------------------	------------

Other equipment

• Landfill sites	30 years
• Quarries	30 years
• Emergency	5-15 years

Bins and containers

Bins and containers	5 years
Specialised vehicles	5-7 years

Water network

• Watercraft	15 years
Heritage	nil

Heritage

• Buildings	nil
• Paintings and artifacts	nil

Other property, plant and equipment	5-15 years
-------------------------------------	------------

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Derecognition

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.4 Property, plant and equipment (continued)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Work in progress

Property, plant and equipment (fixed assets) shall be capitalised, that is, recorded in the fixed assets register, as soon as it is acquired. If the assets is constructed over a period of time, it shall be recorded as work in progress until it is available for use, where after it shall be appropriately capitalised as a fixed assets.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies**1.5 Intangible assets (continued)**

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.



Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.6 Financial instruments - IAS 32, IAS 39 and IFRS 7

Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - designated
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Financial assets classified as at fair value through surplus or deficit which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:

- in rare circumstances
- if the asset met the definition of loans and receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

No other reclassifications may be made into or out of the fair value through surplus or deficit category.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies**1.6 Financial instruments - IAS 32, IAS 39 and IFRS 7 (continued)****Initial recognition and measurement**

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit exclude dividends and interest.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.6 Financial instruments - IAS 32, IAS 39 and IFRS 7 (continued)

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to councillors managers and employees

These financial assets are classified as loans and receivables.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.6 Financial instruments - IAS 32, IAS 39 and IFRS 7 (continued)

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.6 Financial instruments - IAS 32, IAS 39 and IFRS 7 (continued)

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.6 Financial instruments - IAS 32, IAS 39 and IFRS 7 (continued)

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.6 Financial instruments - IAS 32, IAS 39 and IFRS 7 (continued)

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies**1.7 Leases (continued)****Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in cash flow statement.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.8 Inventories (continued)

- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Construction contracts and receivables

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.



Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.11 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies**1.11 Provisions and contingencies (continued)**

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.



Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.12 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly. Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.



Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.12 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.12 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Other Revenue sources:

Service charges relating to electricity and water are based on consumption. Meters readings are on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made on a monthly basis when meter reading have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of prepaid meter cards is recognised at the point of sale

1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transaction is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount

Revenue from property

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on the past experience of amounts collected.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies**1.13 Revenue from non-exchange transactions (continued)****Revenue from public contributions and donations**

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contribution have been received, but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Grants, transfers and donation received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an assets. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the condition attached to the grant are met. Grants without any condition attached are recognised as revenue when the assets is recognised

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.14 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure A to these financial statements.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.16 Comparative figures (continued)

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and the reason for the reclassification is disclosed.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in the accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly

1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the cash flow statement in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the cash flow statement.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the cash flow statement in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the cash flow statement.

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) which has not been condoned in terms of section 170;

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.19 Irregular expenditure (continued)

- (c) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of Municipality Systems Act, and which has not been condoned in terms of the Act;
- (d) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No.20 of 1998); or
- (e) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-laws but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure"

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which was condoned before year end and / or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statement.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.20 Presentation of currency

These annual financial statements are presented in South African Rand.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.21 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.22 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The capital amount and related interest earned in the designated CRR bank account are only utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the cash flow statement in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

1.23 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Key management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies**1.23 Related parties (continued)**

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.24 Commitments

Commitments represents goods and services that have been ordered, but for which no delivery has taken place at the reporting date. These amounts are not recognised in the financial position as a liability or as expenditure in the statement of financial performance, but however disclose as part of note to the financial statements.

Approved and Contracted.

Where the expenditure has been approved and the contract has been awarded at the reporting date.

Approved but not yet contracted commitments.

Where the expenditure has been approved (Budgeted) and the contracted as yet to be awarded or is awaiting finalisation at the reporting date.

1.25 Level of rounding.

Due to the utilisation of the rounding level function of CasWare programme balances were affected by rounding off to the nearest rand.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

2012

2011

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

Standard/ Interpretation:

Effective date:

**Years beginning on or
after**

- GRAP 23: Revenue from Non-exchange Transactions 01 April 2012
- GRAP 24: Presentation of Budget Information in the Financial Statements 01 April 2012
- GRAP 103: Heritage Assets 01 April 2012
- GRAP 21: Impairment of non-cash-generating assets 01 April 2012
- GRAP 26: Impairment of cash-generating assets 01 April 2012
- GRAP 104: Financial Instruments 01 April 2012

3. Inventories

Consumable store - at cost

80,691 164,144

Water

130,815 106,228

211,506 270,372

4. Receivables from non-exchange transactions

Other debtors

1,825,971 1,341,569

ABSA Bank

1,078,004 1,078,004

Outstanding traffic fines

9,750 99,150

15 days water billing

627,858 961,344

15 days electricity billing

511,192 918,937

Prepaid expenses

6,926 -

4,059,701 4,399,004

5. VAT receivable

VAT

3,502,201

VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtors and claimed from SARS once suppliers have been paid. This amount is the net effect of municipalities control accounts for debtors and creditors

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
6. Consumer debtors		
Gross balances		
Rates	17,170,777	17,541,425
Electricity	6,397,441	5,398,552
Water	35,896,044	51,080,928
Sewerage	31,919,538	39,963,987
Refuse	37,168,602	42,658,774
Other	75,980,070	37,872,815
Housing rental	605,593	792,803
	205,138,065	195,309,284
Less: Provision for debt impairment		
Rates	(3,587,107)	(3,456,813)
Electricity	(996,998)	(486,548)
Water	(27,621,832)	(42,656,380)
Sewerage	(25,309,525)	(34,616,910)
Refuse	(29,984,337)	(38,748,342)
Other	(57,037,178)	(32,721,818)
Housing rental	(555,504)	(759,227)
	(145,092,481)	(153,446,038)
Net balance		
Rates	13,583,670	14,084,612
Electricity	5,400,443	4,912,004
Water	8,274,212	8,424,548
Sewerage	6,610,013	5,347,077
Refuse	7,184,265	3,910,432
Other	18,942,892	5,150,997
Housing rental	50,089	33,576
	60,045,584	41,863,246
Rates		
Current (0 -30 days)	915,953	883,177
31 - 60 days	345,487	713,631
61 - 90 days	277,226	1,807,387
91 - 120 days	324,007	540,204
121 - 365 days	11,720,997	10,140,213
	13,583,670	14,084,612
Electricity		
Current (0 -30 days)	1,976,038	1,824,374
31 - 60 days	242,852	300,738
61 - 90 days	198,536	184,218
91 - 120 days	169,883	128,788
121 - 365 days	2,813,134	2,473,886
	5,400,443	4,912,004

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
6. Consumer debtors (continued)		
Water		
Current (0 -30 days)	1,336,107	3,158,469
31 - 60 days	393,318	5,266,079
61 - 90 days	329,998	-
91 - 120 days	367,810	-
121 - 365 days	5,846,979	-
	8,274,212	8,424,548
Sewerage		
Current (0 -30 days)	549,410	1,003,646
31 - 60 days	170,472	3,672,905
61 - 90 days	162,569	670,526
91 - 120 days	157,671	-
121 - 365 days	5,569,891	-
	6,610,013	5,347,077
Refuse		
Current (0 -30 days)	549,410	1,037,994
31 - 60 days	170,471	2,872,438
61 - 90 days	162,569	-
91 - 120 days	157,671	-
121 - 365 days	6,144,144	-
	7,184,265	3,910,432
Sundry debtors - VAT, interest & Other		
Current (0 -30 days)	1,469,620	147,899
31 - 60 days	506,372	3,211,009
61 - 90 days	503,733	70,630
91 - 120 days	469,730	127,287
121 - 365 days	15,993,437	155,930
> 365 days	-	1,438,242
	18,942,892	5,150,997
Housing rental		
Current (0 -30 days)	-	33,576
121 - 365 days	50,089	-
	50,089	33,576

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
6. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	10,782,070	7,270,988
31 - 60 days	4,492,938	17,893,736
61 - 90 days	4,322,940	4,975,741
91 - 120 days	4,141,237	3,542,788
121 - 365 days	157,517,032	150,092,371
	181,256,217	183,775,624
Less: Provision for debt impairment	(141,920,915)	(152,871,288)
	39,335,302	30,904,336
Industrial/ commercial		
Current (0 -30 days)	2,566,130	432,477
31 - 60 days	439,093	1,015,277
61 - 90 days	411,076	196,689
91 - 120 days	416,510	126,492
121 - 365 days	11,771,437	5,299,933
	15,604,246	7,070,868
Less: Provision for debt impairment	(2,067,337)	(574,752)
	13,536,909	6,496,116
National and provincial government		
Current (0 -30 days)	330,560	352,189
31 - 60 days	159,628	315,682
61 - 90 days	40,156	221,288
91 - 120 days	29,550	193,181
121 - 365 days	5,956,496	3,503,096
	6,516,390	4,585,436
Less: Provision for debt impairment	(627,466)	-
	5,888,924	4,585,436
Total		
Current (0 -30 days)	13,678,761	8,055,654
31 - 60 days	5,091,659	19,224,695
61 - 90 days	4,774,169	5,393,718
91 - 120 days	4,587,298	3,862,461
121 - 365 days	177,006,178	158,772,758
	205,138,065	195,309,286
Less: Provision for debt impairment	(145,092,481)	(153,446,040)
	60,045,584	41,863,246
Less: Provision for debt impairment		
Current (0 -30 days)	(145,092,481)	(153,446,038)

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

2012

2011

6. Consumer debtors (continued)

Reconciliation of debt impairment provision

Balance at beginning of the year	(153,446,038)	(102,852,412)
Contributions to provision	-	(50,593,626)
Reversal of provision	8,353,557	-
	(145,092,481)	(153,446,038)

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	17,035	1,203
Bank balances	1,363,716	4,050,419
Short-term deposits	15,747,618	6,105,978
	17,128,369	10,157,600

Short term investments included in cash and cash equivalents 15,747,618 6,105,978

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
ABSA BANK - Operating - 217-056-0119	1,307,739	332,413	232,609	1,307,739	332,413	232,609
FNB BANK - Current -620-640-82799	-	3,650,472	3,647,830	-	3,650,472	3,647,830
ABSA BANK - Banktel -217-014-2538	55,977	67,534	34,946	55,977	67,534	34,946
ABSA BANK - Call account - 907-415-55973	1,000	439,260	90,253	1,000	439,260	90,253
FNB BANK - Fixed Deposit 74 348 905 983	5,094,929	-	-	5,094,929	-	-
STD BANK - Fixed Deposit: 24 8467 816	10,000,000	-	-	10,000,000	-	-
Total	16,459,645	4,489,679	4,005,638	16,459,645	4,489,679	4,005,638

8. Biological assets that form part of an agricultural activity

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Livestock	11,200	-	11,200	67,544	-	67,544



Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
-----------------	------	------

8. Biological assets that form part of an agricultural activity (continued)**Reconciliation of biological assets that form part of an agricultural activity - 2012**

	Opening balance	Disposals	Gains or losses arising from changes in fair value	Closing balance
Livestock	67,544	(57,456)	1,112	11,200

Reconciliation of biological assets that form part of an agricultural activity - 2011

	Opening balance	Closing balance
Livestock	67,544	67,544

Non - Financial information**Quantities of each biological asset**

Horse	-	1
Donkey	-	1
Wilde Beest	1	1
Bles Bucks	9	67
	10	70

Proceeds from disposal of biological assets

Carrying value of biological assets sold	(57,456)	-
Loss on disposal of assets	29,956	-
	(27,500)	-

Methods and assumptions used in determining fair value

Fair value less estimated point-of-sale costs, which is determined by the selling price for livestock less value added tax.

9. Investment property

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	3,550,000	(473,258)	3,076,742	3,550,000	(355,000)	3,195,000

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

2012

2011

9. Investment property (continued)

Reconciliation of investment property - 2012

	Opening balance	Depreciation	Closing balance
Buildings	3,195,000	(118,258)	3,076,742

Reconciliation of investment property - 2011

	Opening balance	Depreciation	Closing balance
Buildings	3,313,333	(118,333)	3,195,000

Pledged as security

No carrying value of investment property was pledged as security for loans at year end.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	156,514,983	-	156,514,983	156,514,983	-	156,514,983
Buildings	91,234,682	(12,157,305)	79,077,377	91,067,450	(9,102,163)	81,965,287
Infrastructure	852,865,128	(491,490,913)	361,374,215	817,906,221	(433,773,444)	384,132,777
Community	2,235,703	(959,440)	1,276,263	2,235,703	(763,197)	1,472,506
Other property, plant and equipment	18,529,750	(9,615,516)	8,914,234	15,907,562	(7,298,691)	8,608,871
WIP-land rehabilitation sites	6,389,365	-	6,389,365	-	-	-
Work in progress	11,720,350	-	11,720,350	22,187,989	-	22,187,989
Total	1,139,489,961	(514,223,174)	625,266,787	1,105,819,908	(450,937,495)	654,882,413

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
-----------------	------	------

10. Property, plant and equipment (continued)**Reconciliation of property, plant and equipment - 2012**

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Closing balance
Land	156,514,983	-	-	-	-	156,514,983
Buildings	81,965,287	167,232	-	-	(3,055,142)	79,077,377
Infrastructure	384,132,777	4,521,356	19,996,388	10,441,162	(57,717,468)	361,374,215
Community	1,472,506	-	-	-	(196,243)	1,276,263
Other property, plant and equipment	8,608,871	2,622,188	-	-	(2,316,825)	8,914,234
WIP-land rehabilitation sites	-	6,389,365	-	-	-	6,389,365
WIP progress	22,187,989	9,528,749	(19,996,388)	-	-	11,720,350
	654,882,413	23,228,890	-	10,441,162	(63,285,678)	625,266,787

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Other changes, movements	Depreciation	Closing balance
Land	156,514,983	-	-	-	156,514,983
Buildings	90,902,250	-	165,125	(9,102,088)	81,965,287
Infrastructure	429,687,235	10,098,125	-	(55,652,583)	384,132,777
Community	1,440,128	222,500	-	(190,122)	1,472,506
Other property, plant and equipment	8,028,736	2,829,462	-	(2,249,327)	8,608,871
Work in progress	5,482,479	16,705,510	-	-	22,187,989
	692,055,811	29,855,597	165,125	(67,194,120)	654,882,413

Pledged as security

No carrying value of assets pledged as security.

Other information**Land register under property, plant and equipment**

Selling of stands to community

368,421

Included in property, plant and equipment is erwe that was sold during the financial year to community at R5,000 for 400square meter. The rights of ownership has not yet been transfer and are still included in the land and asset register of the municipality.

See note 12 under Trade payables.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

2012

2011

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2012

	Included within Infrastructure	Closing balance
Opening balance	22,187,989	22,187,989
Additions/capital expenditure	15,918,114	15,918,114
Transferred to completed items	(19,996,388)	(19,996,388)
	18,109,715	18,109,715

Reconciliation of Work-in-Progress 2011

	Included within Infrastructure	Closing balance
Opening balance	5,482,479	5,482,479
Additions/capital expenditure	16,705,510	16,705,510
	22,187,989	22,187,989

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1,078,433	(360,509)	717,924	198,808	(79,646)	119,162

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Closing balance
Computer software, other	119,162	755,759	(156,997)	717,924

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Closing balance
Computer software, other	202	143,520	(24,560)	119,162

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
-----------------	------	------

12. Investments**Held to maturity**

Other long term investments and deposits	3,823,275	3,327,949
Unlisted investments	5,000	323,346
	3,828,275	3,651,295

Non-current assets

Held to maturity	3,828,275	3,651,295
------------------	-----------	-----------

13. Payables from exchange transactions

Trade payables	15,308,662	12,708,401
Accrued leave pay	3,302,998	2,812,994
Accrued bonus	1,128,431	1,081,132
Deposits received	25,730	-
Finance portion of trade payables	1,230	124,498
Selling of land sites	368,421	-
UIF refundable	23,648	-
	20,159,120	16,727,025

14. VAT payable

Tax refunds payables	11,516,511	13,284,422
----------------------	------------	------------

VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtors and claimed from SARS once suppliers have been paid

VAT accounted on cash basis

Receivable from SARS - cash basis	(3,520,201)	(3,024,817)
VAT invoice basis	15,248,394	16,225,090
	11,728,193	13,200,273

15. Consumer deposits

Electricity	1,169,343	1,140,932
Other deposits	21,942	31,136
	1,191,285	1,172,068

No interest accrued or paid on consumer deposits

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
-----------------	------	------

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

MSIG	15,938	433,311
MFMG	341,342	511,491
MIG	5,300,677	-
	5,657,957	944,802

Movement during the year

Balance at the beginning of the year	944,802	2,254,484
Additions during the year	98,402,782	83,181,343
Income recognition during the year	(93,689,627)	(84,491,025)
	5,657,957	944,802

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 24 of reconciliation of grants from National/Provincial Government.

17. Other financial liabilities

Held at amortised cost

DBSA loans	7,848,355	8,117,800
Fixed interest rates of 10,35% with fixed instalments of R 96,732.62 p/m. The maturity date of this loan is 2024.		
DBSA loans	1,306,085	1,355,049
Fixed interest rates of 9,09% with fixed instalments of R 15,156.21 p/m. The maturity date of this loan is 2024		
	9,154,440	9,472,849

The Municipality shall execute a cession to the benefit of the DBSA on its Standard Bank fixed deposit investment of R 3,495,198.59 of which its maturity date shall be extended from November 2009 to 2 November 2013]

Non-current liabilities

At amortised cost	9,154,440	9,472,849
-------------------	-----------	-----------

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
-----------------	------	------

18. Provisions**Reconciliation of provisions - 2012**

	Opening Balance	Additions	Total
Environmental rehabilitation	3,542,327	327,430	3,869,757

Reconciliation of provisions - 2011

	Opening Balance	Additions	Total
Environmental rehabilitation	-	3,542,327	3,542,327

Environmental rehabilitation provision

The provision for rehabilitation of landfill site related to the constructive obligation to rehabilitate landfill sites used for waste disposal. The provision is discounted to the present value of the future cost to rehabilitate the landfill site, using the average cost of the municipality borrowing interest rate of 9.72%.

The landfill site are located at Mamafubedu and Ntha.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

2012

2011

19. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Post employment medical aid benefit

Present value of the defined contribution obligation-wholly unfunded

(6,586,000)

(6,491,000)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used

8.35 %

8.35 %

Expected increase in healthcare costs

6.85 %

6.85 %

Consumer price inflation

6.40 %

6.40 %

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to 16 retired employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose. There is no current policy in place governing the contributions made to these employees.

The municipality is under no obligation to cover any unfunded benefits.

The total economic entity contribution to such schemes

532,000

-

The amount recognised as an expense for defined contribution plans is

(437,000)

-

20. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2012

	Capital replacement reserve	Government grant reserve	Total
Opening balance	13,823,387	49,421,484	63,244,871
Capital grants used to purchase property, plant and equipment	-	19,952,907	19,952,907
Offsetting of depreciation	-	(3,700,778)	(3,700,778)
	13,823,387	65,673,613	79,497,000

Ring-fenced internal funds and reserves within accumulated surplus - 2011

	Capital replacement reserve	Government grant reserve	Total
Opening balance	13,823,387	29,855,754	43,679,141
Capital grants used to purchase property, plant and equipment	-	20,059,465	20,059,465
Offsetting of depreciation	-	(493,735)	(493,735)
	13,823,387	49,421,484	63,244,871

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
-----------------	------	------

21. Current portion of non-current borrowing**Development Bank of South Africa**

Capital - Held to at amortised cost	9,278,322	9,472,849
Instalments within 12months	430,325	356,332
	9,708,647	9,829,181

22. Property rates**Rates received**

Residential, commercial and state	11,008,056	10,681,610
-----------------------------------	------------	------------

Valuations

Residential	248,176,900	320,777,000
Commercial	61,208,780	72,471,680
State	97,777,650	12,489,850
Municipal	1,595,900	1,397,900
Agriculture	483,950,300	484,303,200
	892,709,530	891,439,630

Valuation on property rates are performed every 4 years. The last general valuation came into effect on 1 July 2009.

Rebates of R 20,000 (2010: R 20,000) are granted to residential property owners.

Rates are levied on an monthly basis. Interest at prime plus 1% per annum is levied on outstanding rates older then 30 days.

The new general valuation will be implemented on 01 July 2013.

23. Service charges

Sale of electricity	25,656,300	15,508,509
Sale of water	26,188,237	21,716,048
Sewerage and sanitation charges	11,143,881	9,215,378
Refuse removal	11,605,093	9,456,401
	74,593,511	55,896,336

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
24. Government grants and subsidies		
Equitable share	67,786,000	62,145,342
MSIG	1,207,372	1,162,542
MFMG	1,620,149	1,123,676
Drought Relief	-	500,000
LG SETA	332,782	50,465
MIG	22,743,323	20,059,465
	93,689,626	85,041,490

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. The equitable share is an unconditional grant and is utilised to assist the local municipalities to undertake service delivery

Equitable share grant was withheld in this financial year under review, an amount of R1 781 000. National Treasury indicated that these monies are the unspent grants disclosed on the AFS since 2005/06 to 2008/09. Audited AFS 2010 were used to determine the unspent grants

MSIG

Balance unspent at beginning of year	433,311	845,853
Current-year receipts	790,000	750,000
Conditions met - transferred to revenue	(1,207,373)	(1,162,542)
	15,938	433,311

Conditions still to be met - remain liabilities (see note 16).

MFMG

Balance unspent at beginning of year	511,491	435,166
Current-year receipts	1,450,000	1,200,000
Conditions met - transferred to revenue	(1,620,149)	(1,123,675)
	341,342	511,491

Conditions still to be met - remain liabilities (see note 16).

LG SETA

Current-year receipts	332,782	50,465
Conditions met - transferred to revenue	(332,782)	(50,465)
	-	-

DWAF drought relief

Balance unspent at beginning of year	-	500,000
Conditions met - transferred to revenue	-	(500,000)
	-	-

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
-----------------	------	------

24. Government grants and subsidies (continued)**MIG**

Balance unspent at beginning of year	-	473,465
Current-year receipts	28,044,000	19,586,000
Conditions met - transferred to revenue	(22,743,323)	(20,059,465)
	5,300,677	-

Conditions still to be met - remain liabilities (see note 16).

25. Public contributions and donations

Public contributions and donations	10,441,162	-
------------------------------------	------------	---

During the current financial year the municipality received donations in the form of infrastructure. Thabo Mofutsanyana transferred the newly contracted Paved road in Leratswana to the value of R 2,963,088.00.

The Department of Rural Settlement donated a newly constructed Water and Sewer Reticulation for 330 Erven in Petsana Ext.7 to the value of R 7,478,074.39.

The assets are capitalised and included under Infrastructure assets under note 10.

26. Other income

Sundries	758,694	4,283,483
Other income	1,275,594	-
	2,034,288	4,283,483

Other income above include commission, tender documents and bring of meters (fines).

27. Investment revenue**Interest revenue**

Bank	962,951	1,272,530
Interest received - other	-	42,476
	962,951	1,315,006

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
28. Personnel		
Basic	28,742,272	24,530,840
Bonus	2,216,239	2,153,767
Medical aid - company contributions	1,863,014	1,065,960
UIF	312,088	312,606
WCA	219,089	226,441
SDL	542,371	268,997
Leave pay provision charge	537,304	618,070
Salga	4,777	33,760
Travel, motor car, accommodation, subsistence and other allowances	1,529,283	1,098,067
Overtime payments	2,134,706	1,613,647
Acting allowances	140,793	118,131
Housing benefits and allowances	152,515	172,307
Pension fund contribution	5,376,600	4,194,435
Standby allowance	641,698	448,096
	44,412,749	36,855,124
Remuneration of municipal manager		
Annual Remuneration	801,506	843,526
Car Allowance	180,000	149,767
Contributions to UIF, Medical and Pension Funds	1,497	1,497
	983,003	994,790
Remuneration of chief finance officer		
Annual Remuneration	639,396	539,099
Car Allowance	84,000	149,767
Contributions to UIF, Medical and Pension Funds	1,497	1,497
	724,893	690,363
Total personnel cost		
Personnel - Managers and Other	44,412,749	36,855,124
Municipal Manager	983,003	994,790
Chief Financial Officer	724,893	690,363
	46,120,645	38,540,277
29. Remuneration of councillors		
Mayor	594,772	687,701
Executive Committee	1,022,017	1,112,150
Councillors	2,703,301	2,361,681
Speaker	506,895	519,117
	4,826,985	4,680,649

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
-----------------	------	------

29. Remuneration of councillors (continued)**In-kind benefits**

The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor and the Speaker has use of Council owned laptop and i-pad

The Executive Committee members also has use of Council owned laptops

Councillor remuneration is in line with the upper limits that is Gazetted by the Department of Cooperative governance.

30. Depreciation and amortisation

Property, plant and equipment	63,687,900	61,127,959
Investment property	118,258	118,333
Intangible assets	156,997	24,561
	63,963,155	61,270,853

31. Finance costs

Non-current borrowings	986,334	1,018,119
Late payment of tax	10,153	-
Long term provision finance charges	422,430	-
	1,418,917	1,018,119

32. Debt impairment

Debt impairment written off	43,155,573	-
Contributions to debt impairment provision	-	50,593,628
	43,155,573	50,593,628

33. Bulk purchases

Electricity	17,303,583	18,398,220
Water	87,621	1,133,286
	17,391,204	19,531,506

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
34. General expenses		
Advertising	339,451	312,755
Assessment rates & municipal charges	-	35,817
Auditors remuneration	3,386,094	1,716,372
Bank charges	361,513	330,175
Cleaning	109,705	76,103
Commission paid	13,084	1,102
Consulting and professional fees	6,221,736	6,933,479
Consumables	301,602	400,255
Debt collection	16,091	20,454
Donations	562,085	347,112
Entertainment	589,352	1,189,902
Fines and penalties	17,917	-
Insurance	455,584	423,064
Lease rentals on operating lease	1,195,439	499,277
Magazines, books and periodicals	121,952	18,144
Fuel and oil	3,362,742	2,655,502
Postage and courier	454,519	506,445
Printing and stationery	1,184,034	821,819
Promotions	625,543	527,603
Project maintenance costs	2,774,569	-
Solid Waste Rehabilitation Expense	-	3,857,327
Subscriptions and membership fees	75,468	584,175
Telephone and fax	1,254,603	1,155,411
Training	980,456	1,422,671
Travel - local	2,038,602	1,404,830
Refuse	701,541	36,096
Title deed search fees	-	8,240
Assets expensed	1,324	81,245
Electricity	4,058,195	3,158,011
Sewerage and waste disposal	-	30,439
Water	-	69,643
Refuse	1,207,237	-
Uniforms	390,032	374,674
Chemicals	836,785	999,323
Other expenses	711,460	2,628,128
	34,348,715	32,625,593

35. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Operating lease charges

Equipment	1,195,439	499,277
• Contractual amounts		

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
35. Operating deficit (continued)		
Loss on sale of property, plant and equipment	-	(198,500)
Loss on sale of biological assets	(29,956)	-
Amortisation on intangible assets	156,997	24,561
Depreciation on property, plant and equipment	63,687,900	61,127,959
Depreciation on investment property	118,258	118,333
Employee costs	50,947,630	43,220,926
Solid waste rehabilitation expense	-	3,857,327
36. Auditors' remuneration		
Fees	3,386,094	1,716,372
37. Cash generated from operations		
Deficit	(4,476,631)	(53,838,751)
Adjustments for:		
Depreciation and amortisation	63,963,155	61,270,853
Gain on sale of assets and liabilities	29,956	198,500
Fair value adjustments	(149,615)	(31,315)
Debt impairment	43,155,573	50,593,628
Movements in retirement benefit assets and liabilities	95,000	-
Movements in provisions	327,430	3,857,327
Other non-cash items	5,046,184	379,162
Recoveries of Bad debts	(8,353,558)	(5,689,719)
Public Contributions & Donation	(10,441,162)	-
Changes in working capital:		
Inventories	58,866	319,123
Receivables from non-exchange transactions	339,303	(351,722)
Consumer debtors	(61,337,911)	(43,906,221)
Payables from exchange transactions	3,432,072	6,925,580
VAT	(5,270,112)	2,604,368
Unspent conditional grants and receipts	4,713,155	(1,309,682)
Consumer deposits	19,217	(14,754)
	31,150,922	21,006,377

38. Other cash item

During the implementation of GRAP 17 compliant fixed assets register during the previous, assets has increase due to newly found items valued at deem cost without a the municipality aquiring it by spending cash.

The 2012 increase of R1.112 is the fair value increase in biological assets.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
-----------------	------	------

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Infrastructure	22,684,176	23,317,000
------------------	------------	------------

Not yet contracted for and authorised by accounting officer

• Infrastructure	17,373,731	19,500,000
------------------	------------	------------

This committed expenditure relates to infrastructure and will be financed as followed:

Government Grants	28,044,000	20,083,000
Own resources	16,040,614	9,295,000
	44,084,614	29,378,000

Retention monies on capital projects

Mamafubedu: Paving of 6km roads (MIS:164362) - Phase 1 & 2	-	1,160,786
Petsana: Paving of 6km roads (MIS:164359) Phase 1 & 2	-	567,149
Ntha: Paving of 6km roads (MIS:163665) - Phase 1 & 2	275,950	835,851
Sewer Network Mamafubedu, Petrus Steyn	1,206,778	1,206,778
Package Plant Providing suitable effluent at Mamafubedu	300,000	300,000
Arlington: Construction of Solid waste transfer station (MIG430)	336,000	-
Lindley Water purification works (K265B)	1,552,677	-
Reitz: Construction of Solid waste disposal site (MIG420)	820,800	-
	4,492,205	4,070,564

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	292,962	556,799
- in second to fifth year inclusive	1,464,812	893,331
	1,757,774	1,450,130

Operating lease payments represents of printers and copier machine from Nashua, the leases were suppose to be cancelled in September 2011 but it was not cancelled. The municipality is on a month to month basis with Nashua. The above is assumed that the original lease contract ending term will be in 2015.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	267,106	243,000
- in second to fifth year inclusive	409,039	816,859
	676,145	1,059,859

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
-----------------	------	------

40. Contingencies

PARTY AND PARTICULARS	ACTUAL AMOUNT INVOLVED	CONTINGENCY AMOUNT INVOLVED	CONTINGENCY NLM LEGAL FEES	SUING PARTY CONTINGENCY	TOTAL CONTINGENCY PLUS COST
Mothei Construction, Company appointed for MIG project suing for professional fees, services and disbursement.	2,104,255	-	526,064	526,064	3,156,383
PAVEMENTS					
Telkom, Damage Telkom cables at 36 1st Street, Reitz	133,394	-	33,350	33,350	200,094
Khovongo Construction	49,324	-	12,331	12,331	73,986
Nketoana Development, Services rendered: Tennis Court	50,740	-	12,685	12,685	76,110
Telkom, Damage Telkom Cables at Steyn Street	66,982	-	16,745	16,745	100,472
Telkom, Damage Telkom Cables at Cnr Swart/Walker Street	17,473	-	4,368	4,368	26,209
Mering CJ, Legal fees on Postponement	5,420	-	-	-	5,420
T.L.W.G. Lekota: Personal Injury, speed hump with no signs Portgieter Street, PS.	310,100	-	77,525	77,525	465,150
Telkom: Damage Telkom Cables at 19 Eeuvees Street, Petrusteyn	-	50,000	12,500	12,500	75,000
Two Bells Security: Cancellation of appointment for provision of Security Council Res: 011/07	6,555,467	-	1,638,867	1,638,867	9,833,201
Servilinx: Cancellation of appointment for lease of photocopy machines Council Res: 011/07	458,839	-	114,709	114,709	688,257
Radebe DD: Unfair dismissal	1,568,229	-	-	-	1,568,229
	11,320,223	50,000	2,449,144	2,449,144	16,268,511

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
-----------------	------	------

40. Contingencies (continued)

NOTES: SOURCE OF CONTINGENCY CALCULATIONS: SUBORDINATE LEGISLATION IN TERMS OF THE CONTINGENCY FEES ACT, 1997(ACT 66 OF 1997)

(a) Section 1(vi)(b) and 5: Determination of Professional Controlling Body and designation of a body published in Government Notice No. R. 546 of 23 April 1999(Government GazetteNo. 20009) and amended by Government

Notice No.R. 1110 of 3November 2000 (Government Gazette no 21719). LIMIT AT 25% OF CLAIM AMOUNT. Actual amount represent the actual amount as it appearson the letter of demand, summons or claim in other tribunal such as bargain council as calculated amount on contract or legislation .

Contingency of amount involved refers to amount where the demand does not specify the amount claim pending quotations or actual repairs costs, or other costs,

Suing Party Contingency on Legal on Legal Fees refers to costs of party suing municipality legal costs as calculated based on Contingency Fees Act 66 of 1997.

Contingency on NLM legal fees refers to legal fees contingency that municipality pays its legal representation.

Contingency - VAT payable

The municipality had claimed VAT on invoice from VAT vendors whose invoice did not meet the requirements of a valid tax invoice as required by Section 20 of Value Added Tax 89 of 1991.

The municipalities possible liability as a result of the above is estimated at R 208,642.30.

41. Related parties

Relationships

Accounting Officer
Chief Financial Offer
Councillors

Refer to accounting officer's report note
VB Mkhefwa
Radebe Teboho Patrick (Vis a Vis Trading)
Tshabalala Ncani Selina (Dexpro Construction and)
Mosia Mokete Jeremiah (Mahatammoho Reteng)
Mokoena Kgaketla Abram (Re Bonahatse construction
Blignaut Marthinus -
NG Welsyn Reitz-Tehuis
Monaufic Belegging
NG Welsyn Reitz Wooneenhede

The above members of council has active business during the financial year under review, however did not trade with the municipality either directly or indirectly.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
-----------------	------	------

42. Prior period errors

Included in the assets register was a project incorrectly classified as work in progress that were a completed project. Subsequently the error has been corrected and work in progress item has been capitalised. Depreciation were retrospectively calculated from the date of completion of this project.

Post medical contribution benefit are being given to 16 retired employees of the municipality. In the past there were no provision made under GRAP 25, hence this omission result in the retrospective restatement of the provision of employee benefit cost. The municipality appointed actuarial to calculate the municipality's liability as at 2012.

Prior year error for not declaring the VAT on the auction of assets. VAT being reflected as payable in the current year and included in VAT payable.

Creditor not accounted as an accrual in the previous year. This was for the purchase of fuel and oil from Lindley auto.

During the current year investigation and update of the valuation roll, it came to the municipality's attention that land that previously recognised as owned by the municipality is actually owned by third parties. The inclusion of this land in the prior year financial statements was based on the valuation roll that last updated in 2008.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Infrastructure	-	2,053,895
Accumulating depreciation	-	(402,221)
VAT payable	-	(84,149)
Payables from exchange transaction	-	(102,553)
Land	-	(35,839,486)
Employee benefit cost	-	(6,491,000)
Opening Accumulated Surplus or Deficit	-	40,865,514

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
-----------------	------	------

43. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of Financial Position

Work in progress	22,187,989	26,593,645
Land	156,514,982	192,354,468
Payables from exchange transactions	16,727,025	15,367,895
VAT Payable	13,284,422	13,200,273
Employee benefit obligations	6,491,000	-
Other financial liabilities	-	1,225,409
Government grant reserve	-	49,421,483
Capital replacement reserve	-	13,823,387

Cash Flow Statement

Other receipts	4,044,574	4,283,482
Movement in other financial liabilities	-	(238,908)

Statement of Financial Performance

Depreciation	61,270,853	61,168,158
--------------	------------	------------

Work in progress

Design cost of a project were capitalised to working in progress. The amount capitalised to WIP was R596,083. Included in work in progress were a project incorrect cost at R 3,809,573 and only complete and valued at R 2,053,895 and capitalised to completed infrastructure. The difference were corrected against the GRAP 17 implementation reserve that were previously disclose as part of accumulating surplus.

Land

See prior period error note 42.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
-----------------	------	------

43. Comparative figures (continued)

Employee Benefit obligations

See prior period error note 42.

Payables from exchange transaction

Creditors not accounted for in the previous year, but included in the opening balance of the new systems creditors control account of R31,170.21.

Creditor not accounted as a accrual in the previous year to the amount of R102,553. The was for the purchase of feul and oil from Lindley auto.

VAT Payable

See prior period error note 42.

Other financial liabilities

Debtors with credit balance was showed as a separated line on the financial position, seeing that this is current debtors they should have classified as part of payables from exchange transactions.

Government grants reserve

During the last financial year government grants were reflected under net assets and treated in accordance the directive issued by national treasury. GRAP Implementation guide for Municipalities states that fund accounting is no longer allowed in term of GRAP/GAMAP/SA GAAP , the classification has been change to comply with the guide. The government grant reserve from part of accumulating surplus and is accounted in the same manner is previously. Refer to note 20.

Capital Replacement reserves

During the last financial year government grants were reflected under net assets and treated in accordance the directive issued by national treasury. GRAP Implementation guide for Municipalities states that fund accounting is no longer allowed in term of GRAP/GAMAP/SA GAAP , the classification has been change to comply with the guide. The capital replacement reserve from part of accumulating surplus and is accounted in the same manner is previously. Refer to note 20.

Other receipts & Movement in other financial liabilities

Other financial liabilities consisted the following , debtors with credit balances and was not shown as receipts from operating activities as reflected on the cashflow.

44. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 17, cash and cash equivalents disclosed in note 7, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
-----------------	------	------

44. Risk management (continued)

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Risk management plans are developed and monitored to ensure councils the policies and systems are reviewed regularly to reflect changes in the municipalities operations.

The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates. The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

The municipality is not funded with excessive loans, but have a variety of short term investment and is always in search of optimal return of investments.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

45. Events after the reporting date

On the 19/09/2012 during the Council meeting the council took a resolution that, Mr Thomas (former Municipal Manager) be offered a salary equivalent to three months as a settlement offer since his employment contract was terminated before its natural ending. The payment settlement amounts to R 224 972.50 and upon acceptance of the offer by Mr Thomas the said amount was paid to him.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
46. Unauthorised expenditure		
Opening Balance	91,976,261	26,466,769
Unauthorised expenditure	21,430,022	91,976,261
Approved or condoned by council	-	(26,466,769)
	113,406,283	91,976,261

47. Fruitless and wasteful expenditure

Opening balance	137,898	137,898
Interest and penalties charges late payment of VAT return	28,070	-
Interest charged on outstanding invoices	32,185	-
	198,153	137,898

48. Irregular expenditure

Opening balance	8,922,579	574,840
Add: Irregular Expenditure - current year	8,627,946	7,642,643
Add: Irregular Expenditure-prior year	-	1,279,936
Less: Amounts condoned	-	(574,840)
	17,550,525	8,922,579

Analysis of expenditure awaiting condonation classification

Not submitting the minimum quotations for acquiring goods and services.
 Goods and service not provided in term of the amount quoted
 Competitive bidding process not followed
 Goods and services were procured without supply chain management regulation of three quotation between R2,000 - R10,000
 Supply chain management policy on declarations of interest for quotations under R30 000 not fully adhered.
 Supply chain management policy on declarations of interest for quotations under R200 000 and no Tax clearance certificate submitted.
 Deviations not in line with the deviation criteria in term supply chain management regulations
 One instance of a supplier prohibition that is legitimate company with a prohibited shareholder not detected.
 Competitive bidding process not followed previous years

388,713	-
182,020	-
277,560	-
24,791	-
440,481	-
1,603,786	-
148,000	-
377,775	-
5,184,820	-
8,627,946	-

Details of irregular expenditure – previous years

Irregular expenditure as result of the Non-compliance with SCM regulations and policies	8,922,579
<hr/>	

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

2012

2011

48. Irregular expenditure (continued)

The full extent of irregularities as disclosed in the above note is still in the process of being investigated by the municipality.

Incidents of irregular expenditure in the previous financial year as a result non-compliance with SCM regulation were not present in the course and nature that let to irregular expenditure. The matters listed in the current year can better assist council in the investigation of irregular expenditure identified during the audit.

49. Reconciliation between budget and cash flow statement

Reconciliation of budget surplus/deficit with the surplus/deficit in the cash flow statement:

Net deficit per the cash flow statement	(4,476,631)	(53,838,751)
Adjusted for:		
Fair value adjustments	(148,503)	(31,315)
Impairments recognised / reversed	43,155,573	50,593,628
Gain/(loss) on the sale of assets	(28,844)	198,500
Increases / decreases in provisions landfil sites	201,430	3,542,327
Increases / decreases in leave and bonus provisions	460,979	618,070
Increases / decreases in post employment benefit	95,000	-
Net surplus per approved budget	39,259,004	1,082,459

50. Additional disclosure in terms of Municipal Finance Management Act

Material losses

Electricity losses	2,733,207	14,584,367
Non-revenue water losses	9,874,227	7,257,603
	12,607,434	21,841,970

Electricity losses

The electricity losses is 16,16% , which is contributed by the theft of electricity by Ntha community during the course of the last two financial years and other technical losses involved in the distribution of electricity.

Non-revenue water losses

Non-revenue water losses consists of water consumed by informal settlements and low income households for which no income is received by the municipality, and also ageing of water Infrastructure assets.

Audit fees

Current year subscription / fee	3,386,094	1,716,372
Amount paid - current year	(3,386,094)	(1,716,372)
	-	-

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
-----------------	------	------

50. Additional disclosure in terms of Municipal Finance Management Act (continued)**PAYE and UIF**

Opening balance	320,642	-
Current year subscription / fee	4,170,252	3,694,707
Amount paid - current year	(4,170,252)	(3,374,065)
Amount paid - previous years	(320,642)	-
	-	320,642

Pension and Medical Aid Deductions

Current year subscription / fee	6,842,428	5,260,396
Amount paid - current year	(6,842,428)	(5,260,396)
	-	-

VAT

VAT receivable	3,502,201	-
VAT payable	11,516,511	13,284,422
	15,018,712	13,284,422

VAT output payables and VAT input receivables are shown in note 16.

VAT Receivable as reflected above is the amounts claimed for September 2011, following the audit that was conducted for that month. The amounts claimed since that period till the end of Financial year (30 June 2012) was never paid as a result of the pending audit from SARS

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

2012

2011

50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2012:

30 June 2012	Outstanding	Outstanding	Total
	less than 90	more than 90	
	days	days	R
	R	R	
Henning SG	488	-	488
Malindi S	914	572	1,486
Mofokeng PP	371	-	371
Mokoena KA	1,136	6,333	7,469
Moloedi PM	915	2,328	3,243
Mosia M	914	10,378	11,292
Mphaka MR	336	-	336
Nakedi MT	305	-	305
Nhlapo LG	1,073	17,087	18,160
Nkomo P	450	-	450
Radebe TP	1,113	7,000	8,113
Semela MS	1,039	10,461	11,500
Tshabalala NS	2,151	43,794	45,945
Moshoadiba P	1,290	8,772	10,062
Blignaut M	3,621	-	3,621
	16,116	106,725	122,841

30 June 2011	Outstanding	Outstanding	Total
	less than 90	more than 90	
	days	days	R
	R	R	
Molapisi MD	581	3,156	3,737
Nkomo P	405	-	405
Mphaka M	-	4,766	4,766
Nhlapo G	820	18,885	19,705
Moloedi M	290	3,404	3,694
Radebe T	1,334	41,902	43,236
Mofokeng P	741	7,518	8,259
Nakedi M	560	960	1,520
Mokoena K	7,169	300	7,469
Du Preez S	650	-	650
Shabalala N	252	38,069	38,321
Sibeko P	330	3,636	3,966
Moshoadiba P	781	14,251	15,032
Semela M	581	10,386	10,967
Malindi M	-	5,518	5,518
	14,494	152,751	167,245

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
-----------------	------	------

50. Additional disclosure in terms of Municipal Finance Management Act (continued)**Supply chain management regulations**

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager

See incidents under Irregular expenditure.

51. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	9,154,440	9,472,849
Cash set aside for the repayment of long-term liabilities	9,154,440	9,472,849
	(3,495,199)	(3,327,949)
	5,659,241	6,144,900

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

52. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E for the comparison of actual operating expenditure versus budgeted expenditure.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
-----------------	------	------

53. Non-Compliance in term of MFMA

Audit Committee not being effective for the financial period under audit

The audit committee did not advise the council of the municipality on the matters as required by section 166(2) of the MFMA.

The audit committee did not perform the duties of the Performance Audit Committee.

The above results in non-compliance with section 166(2) of the MFMA (No.56 of 2003).

Employee Cost

Posts were vacant for a long period.

Employees did not serve a full notice period.

There were no job descriptions for each post on the staff establishment.

The above results in non-compliance with section 62(1)(c) of the MFMA (No.56 of 2003).

Annual report not approved by Council timeously

The 2010/2011 Annual report was only tabled at a council meeting (108/05) held on the 07/05/2012.

The above results in non-compliance with section 127 and 133 of the MFMA (No.56 of 2003).

No Risk and IT Steering Committee in place

The municipality did not have a Risk Committee.

The municipality has not yet established an IT Steering Committee that will assist management in managing risks.

The municipality did not have an integrated risk management strategy and risk assessment plan during the year under review.

The above results in non-compliance with section 62(1)(c) of the MFMA (No.56 of 2003).

Revisions not made on the SDBIP

The mayor did not make any revisions on the Service Delivery Budget & Implementation Plan (SDBIP) after the approval of the adjustment budget.

The above results in non-compliance with section 54(1)(c) of the MFMA (No.56 of 2003).

Municipal manager's performance agreement incomplete

The performance agreement of the municipal manager does not include the responsibilities of an accounting officer as defined in section 62(1) of the MFMA .

The above results in non-compliance with section 62(1) of the MFMA (No.56 of 2003).

Payments not made within 30 days

Four payments were identified as not being made within 30 days of receiving the relevant invoice or statement.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
-----------------	------	------

53. Non-Compliance in term of MFMA (continued)

The above results in non-compliance with section 65(2)(e) of the MFMA (No.56 of 2003).

Investment disclosure

The municipality did not disclose a summary of all investments held at the end of the financial year.

The above results in non-compliance with section 125 (2)(b) of the MFMA (No.56 of 2003).

Validity, accuracy and completeness of the annual performance report not confirmed.

There were no reporting of the planned targets in the annual performance report for the 2011-2012 financial year.

The above results in non- compliance with section 121(3) of the MFMA (No.56 of 2003).

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

54. Statement of comparative and actual information

2012

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance							
Property rates	8,189,000	8,189,000	8,189,000	11,008,056	(2,819,056)	134 %	134 %
Service charges	63,033,000	63,033,000	63,033,000	74,593,511	(11,560,511)	118 %	118 %
Investment revenue	336,000	336,000	336,000	962,951	(626,951)	287 %	287 %
Transfers recognised - operational	71,807,000	71,807,000	71,807,000	70,946,303	860,697	99 %	99 %
Other own revenue	4,104,000	4,104,000	4,104,000	26,594,095	(22,490,095)	648 %	648 %
Total revenue (excluding capital transfers and contributions)	147,469,000	147,469,000	147,469,000	184,104,916	(36,635,916)	125 %	125 %
Employee costs	(44,744,000)	(44,744,000)	(44,744,000)	(46,120,645)	1,376,645	103 %	103 %
Remuneration of councillors	(4,758,000)	(4,758,000)	(4,758,000)	(4,826,985)	68,985	101 %	101 %
Debt impairment	(5,600,000)	(32,600,000)	(32,600,000)	(43,155,573)	10,555,573	132 %	771 %
Depreciation and asset impairment	(11,970,000)	(64,970,000)	(64,970,000)	(63,963,155)	(1,006,845)	98 %	534 %
Finance charges	(890,000)	(890,000)	(890,000)	(1,418,917)	528,917	159 %	159 %
Materials and bulk purchases	(24,176,000)	(24,176,000)	(24,176,000)	(17,391,204)	(6,784,796)	72 %	72 %
Other expenditure	(28,198,000)	(28,198,000)	(28,198,000)	(44,889,553)	16,691,553	159 %	159 %
Total expenditure	(120,336,000)	(200,336,000)	(200,336,000)	(221,766,032)	21,430,032	111 %	184 %
Surplus/(Deficit)	27,133,000	(52,867,000)	(52,867,000)	(37,661,116)	(15,205,884)	71 %	(139)%

Nketoana Local Municipality

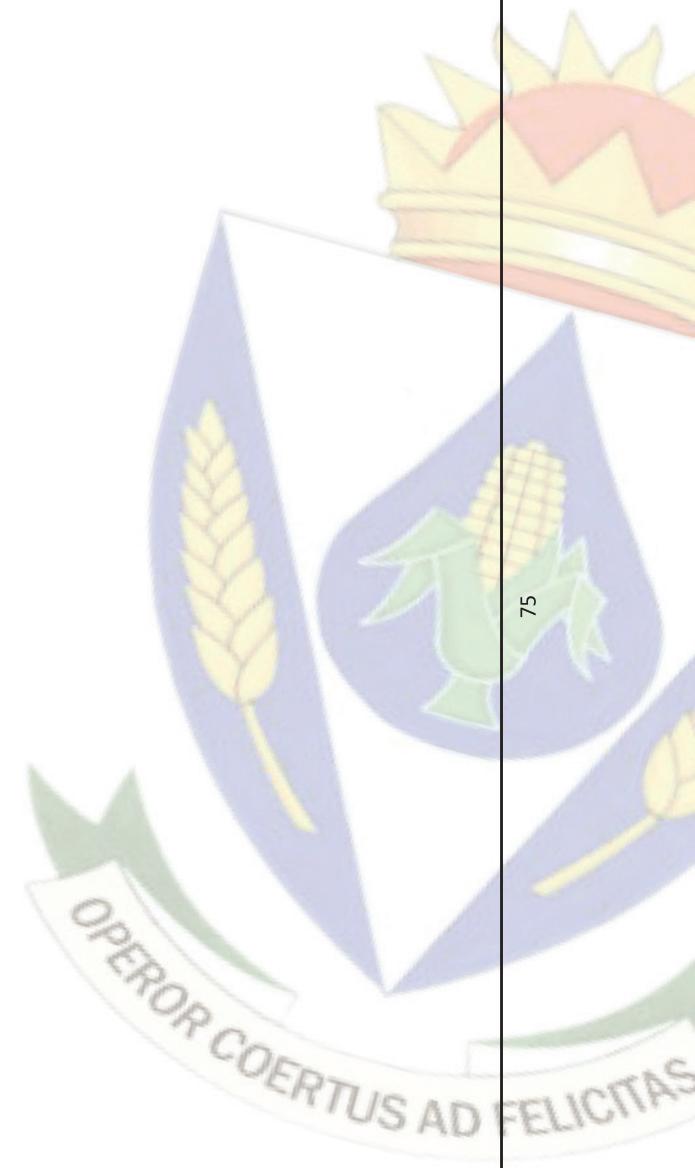
Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

54. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMIA)	Final budget	Actual outcome	Variance	Actual outcome as % of final	Actual outcome as % of original budget	DIV/0 %	DIV/0 %
Transfers recognised - capital	-	-	-	22,743,323	(22,743,323)	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %
Contributions recognised - capital and contributed assets	-	-	-	10,441,162	(10,441,162)	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	27,133,000	(52,867,000)	(52,867,000)	(4,476,631)	(48,390,369)	8 %	(16)%		
Surplus/(Deficit) for the year	27,133,000	(52,867,000)	(52,867,000)	(4,476,631)	(48,390,369)	8 %	(16)%		



Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

54. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources							
Total capital expenditure	38,194,000	46,626,000	46,626,000	-	46,626,000	- %	- %
Sources of capital funds							
Transfers recognised - capital	100,387,000	100,387,000	100,387,000	-	100,387,000	- %	- %
Cash flows							
Net cash from (used) operating	228,006,000	228,006,000	228,006,000	31,150,922	196,855,078	14 %	14 %
Net cash from (used) investing	-	-	-	(23,985,626)	23,985,626	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	(194,527)	194,527	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	228,006,000	228,006,000	228,006,000	6,970,769	221,035,231	3 %	3 %
Cash and cash equivalents at the beginning of the year	-	-	-	10,157,600	(10,157,600)	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	228,006,000	228,006,000	228,006,000	17,128,369	210,877,631	8 %	8 %

Cash flows

Net cash from (used) operating
 Net cash from (used) investing
 Net cash from (used) financing

Net increase/(decrease) in cash and cash equivalents

Cash and cash equivalents at the beginning of the year
 Cash and cash equivalents at year end

- **Property Rates:** This is due to the farm property rates that was paid at the beginning of the financial year

- **Interest received (Trading):** The municipality did not write off bad debts as anticipated for this financial year, the municipality underbudget for this financial year

- **Public Contribution and donation:** Donation of infrastructure assets received from the district Municipality

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

54. Statement of comparative and actual information (continued)

- **Government grants and donations:** The actual balance is inclusive of of MIG income, which was budgeted separately from the income statement
- **Recoveries:** This is due to the decrease of bad debts write off for this financial year
- **Other income:** Includes VAT capitalised on MIG
- **Interest received (Investments):** Investments has increased mostly due to interest generated from 3 call accounts we had during the financial year.

Expenditure

- **Finance Cost;** Interest on loan and the discounting of provision and landfillsite and post employment.
- **Debt impairment:** The movement that is shown on the income statement reduces the debt impairment therefore showing 6.8%.
- **Repairs and maintenance:** The variance is due to the RM on roads, gravel roads, water networks and electricity networks.
- **Bulk Purchases:** This is due to the replacement of meters that was installed in Ntha, we decreased our expenditure so as our electricity losses,
- **General expenses:** This is due to the following expenditure, electricity charges on municipality buildings, professional fees ,Auditor General fees and operating lease of fleet and equipment
- **Total Capital Expenditure:** the variance is due to the internal projects that were not entirely implemented.

Capital Budget Variance

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012

	Current year 2012 Act. Bal. Rand	Current year 2012 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	11,008,056	8,189,000	2,819,056	34.4	This is due to the farm property rates that was paid at the beginning of the financial year
Service charges	74,593,512	63,033,000	11,560,512	18.3	
Rental of facilities and equipment	323,901	373,000	(49,099)	(13.2)	
Interest received (trading)	15,529,229	2,763,000	12,766,229	462.0	The municipality did not write off bad debts as anticipated for this financial year, we under budgeted, - Donation of infrastructure assets received from district municipality
Public contributions and donations	10,441,162	-	10,441,162		
Fines	195,850	212,000	(16,150)	(7.6)	
Government grants & subsidies	93,689,626	71,807,000	21,882,626	30.5	The actual balance is inclusive of MG income, which was budgeted separately from the income statement
Discount received	7,654	-	7,654	-	This is due to the
Recoveries	8,353,558	-	8,353,558	-	This is due to the decrease of bad debts write off for this financial year
Other income	2,034,287	755,000	1,279,287	169.4	Other income include the VAT capitalised on MG, Investments has increased mostly due to the interest generated from 3 call accounts we had during the financial year
Interest received - investment	962,951	336,000	626,951	186.6	
Interest received - other	-	-	-	-	
	217,139,786	147,468,000	69,671,786	47.2	
Expenses					
Personnel	(46,120,640)	(44,744,000)	(1,376,640)	3.1	
Remuneration of councillors	(4,826,985)	(4,758,000)	(68,985)	1.4	
Depreciation	(63,806,157)	(64,970,000)	1,163,843	(1.8)	
Amortisation	(156,997)	-	(156,997)	-	
Finance costs	(1,418,917)	(890,000)	(528,917)	59.4	Finance cost is interest on loan and the discounting of provision of landfillsite and post employment benefits
Debt impairment	(43,155,574)	(32,600,000)	(10,555,574)	32.4	The movement that is shown on the income statement reduces the debt impairment therefore the variance that's showing a 6.8%

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Repairs and maintenance - General	(10,510,882)	(9,130,000)	(1,380,882)	15.1 The variance is due to the the Repairs and Maintenance on roads, gravel roads, water networks and electricity networks
Bulk purchases	(17,391,204)	(24,176,000)	6,784,796	(28.1) This is due to the replacement of meters that was installed in Ntha, we decreased our expenditure and so as our electricity losses
Grants and subsidies paid	(34,348,710)	(19,068,000)	(15,280,710)	-
General Expenses				80.1 This is due to the following expenditures, electricity charges on municipal buildings, professional fees, legal fees, Auditor General fees and operating lease of fleet and equipment.
	(221,736,066)	(200,336,000)	(21,400,066)	10.7
Other revenue and costs	(29,956)	-	(29,956)	-
Gain or loss on disposal of assets and liabilities	149,615	-	149,615	-
Fair value adjustments	119,659	-	119,659	-
Net surplus/ (deficit) for the year	(4,476,621)	(52,868,000)	48,391,379	(91.5)

Analysis of property, plant and equipment as at 30 June 2012
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Depreciation Rand	Transfers Rand	Other changes, movements Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	156,514,983	-	6,389,365	-	-	-	156,514,983	-	-	-	-	-	-	156,514,983
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	6,389,365	-	-	-	-	-	-	6,389,365
Buildings (Separate for AFS purposes)	85,001,241	-	-	-	-	(3,035,954)	81,965,287	-	167,232	(3,055,142)	-	-	-	(2,887,910) 79,077,377
	241,516,224	6,389,365	-	-	-	(3,035,954)	244,869,635	-	167,232	(3,055,142)	-	-	-	(2,887,910) 241,981,725
Infrastructure														
Roads, Pavements & Bridges	286,163,589	10,032,456	-	-	(42,518,681)	-	233,677,364	-	(45,494,270)	10,382,328	2,963,088	(32,148,854)	221,528,510	
Water purification	48,541,463	56,530	-	-	(3,985,532)	-	44,612,761	-	5,813,487	1,534,144	46,146,905	-	-	
Sewerage purification	66,159,474	-	-	-	(7,103,903)	-	59,055,571	-	9,859,809	(7,740,745)	3,800,573	13,397,711	72,453,282	
Electricity mains	23,258,767	9,140	-	-	(1,942,073)	-	21,325,834	-	1,905,455	(1,985,695)	-	(80,240)	21,245,594	
Work in progress	5,482,479	16,705,510	-	-	-	-	22,187,989	-	9,528,749	(19,996,388)	-	(10,487,639)	11,720,350	
	429,605,772	26,803,636	-	-	(55,549,889)	-	400,859,519	-	21,294,013	(59,500,053)	-	10,441,162	(27,764,878)	373,094,341
Community Assets														
Sportsfields and stadium	1,440,128	222,500	-	(190,122)	-	-	1,472,506	-	-	(196,362)	-	-	(196,362)	1,276,144
	1,440,128	222,500	-	(190,122)	-	-	1,472,506	-	-	(196,362)	-	-	(196,362)	1,276,144

Analysis of property, plant and equipment as at 30 June 2012
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Depreciation Rand	Transfers Rand	Other changes, movements Rand	Closing Balance Rand	Carrying value Rand	
Other assets															
Other	8,028,737	2,829,462	-	(2,249,327)	-	-	8,608,872	-	2,622,188	(2,316,825)	-	-	305,363	8,914,235	
Total property plant and equipment	8,028,737	2,829,462	-	(2,249,327)	-	-	8,608,872	-	2,622,188	(2,316,825)	-	-	305,363	8,914,235	
Land and buildings	241,516,224	6,389,365	-	-	(3,035,954)	244,869,635	-	167,232	(3,055,142)	-	-	-	(2,887,910)	241,981,725	
Infrastructure	429,805,772	26,803,636	-	(190,122)	(55,549,889)	400,859,519	-	21,294,013	(59,500,053)	-	-	-	(27,664,878)	373,084,641	
Community Assets	1,440,128	222,500	-	(2,249,327)	-	1,472,506	-	(196,362)	-	-	-	-	(196,362)	1,276,144	
Other assets	8,028,737	2,829,462	-	-	-	8,608,872	-	2,622,188	(2,316,825)	-	-	-	305,363	8,914,235	
Land and buildings	680,590,861	36,244,963	-	(2,439,449)	(58,585,843)	655,810,532	-	24,083,433	(65,068,382)	-	-	10,441,162	(30,543,787)	625,266,745	
Agricultural/Biological assets															
Agricultural	67,543	-	(56,343)	-	-	-	-	11,200	-	-	-	-	-	11,200	
Intangible assets															
Computers - software & programming	202	143,521	-	(24,521)	-	-	119,202	-	755,760	(156,997)	-	-	-	598,763	717,965
Investment properties															
Investment property	3,313,334	-	(118,333)	-	-	-	119,202	-	755,760	(156,997)	-	-	-	598,763	717,965
Total	683,971,940	36,338,484	(56,343)	(2,582,303)	(58,585,843)	659,135,935	-	24,639,193	(65,343,637)	-	-	10,441,162	(30,063,282)	629,072,653	

Nketoana Local Municipality

Appendix C

June 2012

**Segmental Statement of Financial Performance for the year ended
Prior Year Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus / (Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus / (Deficit) Rand
Municipality						
66,557	14,098,945	(14,032,388)	Executive & Council/Mayor and Council	-	16,281,708	(16,281,708)
108,033,295	75,459,784	32,573,511	Finance & Admin/Finance	117,126,534	30,184,142	86,942,392
8,000	1,639,468	(1,631,468)	Planning and Development/Economic Development/Plan	555,548	5,680	549,868
13,393,537	19,638,895	(6,245,358)	Comm. & Social/Libraries and archives	15,029,668	30,959,400	(15,929,732)
198,194	2,345,994	(2,147,800)	Public Safety/Police	195,850	2,712,531	(2,516,681)
-	234,197	(234,197)	Sport and Recreation	-	267,634	(267,634)
5,702,522	12,361,928	(6,659,406)	Waste Water Management/Sewerage	19,758,378	23,479,158	(3,720,780)
5,010	47,403,270	(47,398,260)	Road Transport/Roads	2,971,125	47,838,299	(44,867,174)
22,293,388	9,047,716	13,245,672	Water/Water Distribution	33,601,718	39,365,350	(5,763,632)
16,218,381	21,824,805	(5,606,424)	Electricity /Electricity Distribution	28,050,580	30,528,617	(2,478,037)
31,820	15,734,455	(15,702,635)	Other/Air Transport	-	143,513	(143,513)
165,950,704	219,789,457	(53,838,753)		217,289,401	221,766,032	(4,476,631)
Municipal Owned Entities						
Other charges						
165,950,704	219,789,457	(53,838,753)	Municipality	217,289,401	221,766,032	(4,476,631)
165,950,704	219,789,457	(53,838,753)	Total	217,289,401	221,766,032	(4,476,631)

Schedule of external loans as at 30 June 2012

Loan Number	Redeemable	Balance at 30 June 2011	Received during the period	Redeemed written off during the period	Balance at 30 June 2012	Carrying Value of Property, Plant & Equipment		Other Costs in accordance with the MFMA
						Rand	Rand	
Development Bank of South Africa								
DBSA @ 10.35%	101390/1	8,418,594	-	-	204,037	8,214,557	-	-
DBSA @ 9.09%	101390/2	1,410,587	-	40,378	1,370,209	-	-	-
		9,829,181	-	244,415	9,584,766	-	-	-
Total external loans		9,829,181	-	244,415	9,584,766	-	-	-



Name of Grants	Quarterly Receipts			Quarterly Expenditure			Grants and Subsidies delayed / withheld		Reason for delay/withhold funds		
	Jul	Oct	Dec	Mar	Jul	Oct	Jan	Apr	Jul	Oct	
MSIG	-	790,000	-	-	-	-	257,303	273,449	1,147,841	-	-
MFMG	1,450,000	-	-	-	239,773	182,916	978,572	446,748	-	-	-
MG EQUITABLE SHARE	28,376,000	10,187,000 22,018,000	6,810,000	11,047,000 17,392,000	5,936,965	1,689,743	5,764,694	9,941,001	610,000	1,171,000	-
	29,826,000	32,995,000	6,810,000	28,439,000	6,176,738	2,129,962	7,016,715	11,535,590	610,000	1,171,000	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.



ACTION PLAN ON THE AUDITOR GENERAL REPORT FOR 2011/2012.

Heading	Audit Findings	Management Action	Responsible Person
Restatement of corresponding figures	<p>1. As disclosed in note 42 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during the 2011-12 financial year in the financial statements of the Nketoana Local Municipality at, and for the year ended, 30 June 2011.</p>	<p>The municipality have implemented month end procedure that will ensure that there is review of the general ledger monthly and error are detected and corrected monthly.</p> <p>The Manager Budget and Treasury will be reviewing the general ledger on regular basis to identify any problems and effect immediate changes.</p>	<p>Manager Budget and Treasury</p> <p>Chief Financial Officer.</p>
Material Impairments and losses	<p>2. As disclosed in note 6 to the financial statement, a debt impairment provision to the amount of R145 092 481 (2011:R153 446 038) was made for doubtful debts, due to poor collection practices.</p> <p>3. As disclosed in note 50 to the financial statements, material losses of water and electricity to the amount of R12 607 434 (2011: R21 841 970) were incurred as a result of inadequate controls by management to monitor distribution losses.</p>	<p>We are appointing extra staff to increase the capacity in the revenue division.</p> <p>We will also be sourcing an external service provider in February 2013 to assist with debt collection.</p>	<p>Chief Financial Officer.</p>

Unauthorised expenditure	4. As disclosed in note 46 to the financial statements, unauthorised expenditure to the amount of R21 430 022 (2011:R91 976 261) was incurred, as the municipality had exceeded its total budget for the year ended 30 June 2012.	<p>The unauthorised expenditure will be reduced in the 2012/2013 financial year as strict measure will be implemented to ensure that our budget is not exceeded.</p> <p>We have also realised that provisions we make in the annual financial statements are the major contributing factors in the unauthorised expenditure and we have provided adequately in the current financial year.</p>	Chief Financial Officer
	5. As disclosed in note 48 to the financial statements, irregular expenditure to the amount of R8 627 947 (2011:R8 922 579) was incurred, which was mainly due to non-compliance with the supply chain management requirements in respect of expenditure transactions. The full extent of the irregularities of R8 627 947 is still in the process of being determined.	<p>The irregular expenditure is a big concern to management and effective measure have to be implemented to eradicate this practice.</p> <p>We have implemented a zero tolerance on emergency procurements. All deviation requests are assessed by the Chief Financial Officer who will then recommend to the Municipal Manager and the Municipal Manager will approve or rejects all deviation request.</p>	Municipal Manager Chief Financial Officer

<p>We have activated a supply chain module in the Munisoft system that will assist with the administration of the supply chain management process.</p> <p>Our key weakness in the department has been lack of leadership in the division and we will be appointing the Manager Supply Chain Management in February 2013.</p>	<p>We have appointed a service provider that will assist in improving capacity in the PMS Unit in the municipality.</p>	<p>Municipal Manager</p>
<p>Presentation</p> <p>6. Improvement measures in the annual performance report for a total of 100% of the planned targets not achieved were not disclosed as required by section 46 of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA). This was due to lack of internal policies and procedures over the processes pertaining to the reporting of performance information.</p>	<p>We have appointed a service provider that will assist in improving capacity in the PMS Unit in the municipality.</p>	<p>Municipal Manager</p>
<p>Consistency</p> <p>7. The MSA, section 41(c), requires that the integrated development plan (IDP) should form the basis for the annual report, therefore requiring the consistency of objectives, indicators and targets between planning and reporting documents. A total of 100% of the reported objectives, indicators and targets are not consistent with the objectives, indicators and targets as per the approved (IDP). This is due to the lack of internal policies and procedures over the processes pertaining to the</p>	<p>We have appointed a service provider that will assist in improving capacity in the PMS Unit in the municipality.</p>	<p>Municipal Manager</p>

<p>Reliability of information</p> <p>Validity, accuracy and completeness</p>	<p>reporting of performance information and the use of an incorrect template for reporting.</p> <p>1. The FMPPI requires that documentation addressing the systems and processes for identifying, collecting, collating, verifying and storing information be properly maintained. The institutions could not provide sufficient appropriate evidence to support any of the selected development objectives.</p>	<p>We have appointed a service provider that will assist in improving capacity in the PMS Unit in the municipality.</p>	<p>Municipal Manager</p>

	<p>against the key performance indicators and targets set and did not measure and review performance at least once per year, with regard to each of those development objectives and against the key performance indicators and targets set.</p> <p>Furthermore, the municipality did not take steps to improve performance with regard to those development priorities and objectives where performance targets are not met as required by section 41 of the MSA.</p>	<p>The Mid Term Performance and Budget report will be tabled in the January Council.</p>	Municipal Manager
Budgets	<p>10. The accounting officer did not assess the first half of the financial year performance of the municipality, as required by section 72(1) and 72(1)(a)(ii) / 88(1) of the MFMA.</p>	<p>We have appointed a service provider that will assist in improving capacity in the PMS Unit in the municipality.</p>	Municipal Manager
Annual financial statements, performance and annual reports	<p>11. The 2010-11 annual report was not tabled in the municipal council within seven months after the end of the financial year, as required by section 127(2) of the MFMA.</p> <p>12. The accounting officer did not make the 2010-11 annual report public, as required by section 127(5)(a) of the MFMA, because the annual report was not tabled in the council.</p> <p>13. The annual report for the year under review did not include (i) an</p>		

	<p>assessment by the accounting officer of any arrears on municipal taxes and service charges, (ii) the accounting officer's assessment of the municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each budget vote and (iii) the report of the audit committee as stated by MFMA 121(3)(e)(f)(j) and 121(4)(c)(g).</p> <p>14. The annual performance report for the year under review does not include the performance of the municipality and names of external service providers, a comparison of the performance with set targets, a comparison with the previous financial year as well as measures taken to improve performance, as required by section 46(1)(a), (b) and(c) of the MSA.</p>	<p>Audit committees</p>	<p>We will be appointing the Audit Committee that will be directly accountable to the council of Nketoana Municipality. We believe that our own audit committee will serve the council better than the shared audit committee.</p> <p>15. The audit committee did not advise the council on matters relating to risk management, accounting policies, effective governance, performance management and performance evaluation as required by section 166(2)(a) of the MFMA.</p> <p>16. The audit committee did not respond to the council on the issues raised in the audit reports of the Auditor-General, as required by section</p>
--	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------



17. A performance audit committee was not in place and the audit committee established in terms of MFMA section 166(1) was not used for this function, as required by Municipal Planning and Performance Management Regulation 14(2)(a).	Internal audit	<p>The internal audit will be auditing performance on quarterly basis to ensure that the performance reports are accurate and reliable.</p> <p>The internal audit unit will also audit the performance management system.</p> <p>19. The internal audit unit did not assess the functionality of the performance management system, whether the performance management system complied with the requirements of the MSA and the extent to which the performance measurements were reliable in measuring the performance of the municipality on key and general performance indicators, as required by Municipal Planning and Performance Management Regulation 14(1)(b)(i), (ii) and (iii).</p> <p>20. The internal audit unit did not audit the performance measurements on a continuous basis and submitted quarterly reports on their audits to the</p>
166(2)(c) of the MFMA.		Municipal Manager

		municipal manager, as required by Municipal Planning and Performance Management Regulation 14(1)(c).		
Procurement and contract management	21.	Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by supply chain management (SCM) regulation 17(a) & (c).	We have implemented a zero tolerance on emergency procurements. All deviation requests are assessed by the Chief Financial Officer who will then recommend to the Municipal Manager and the Municipal Manager will approve or rejects all deviation request.	Chief Financial Officer
	22.	Sufficient appropriate audit evidence could not be obtained that quotations were only awarded to providers whose tax matters have been declared by the South African Revenue Service to be in order as required by SCM regulation 43.	Proper record keeping will be done to ensure that all necessary documents that resulted into deviation of the policy are kept.	
	23.	Quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).	We have activated a supply chain module in the Munsoft system that will assist with the administration of the supply chain management process.	
Human resource management and compensation	24.	Job descriptions were not established for all posts in which appointments were made in the current year, in contravention of section 66(1)(b) of	The Job Description will be done for all employees by 30 March 2013.	Director Corporate Services

	MSA.		
Expenditure management	<p>25. The accounting officer did not take reasonable steps to prevent unauthorised and irregular expenditure, as required by section 62(1)(d) of the MFMA.</p> <p>26. The accounting officer did not take reasonable steps to prevent irregular expenditure, as required by section 95(d) of the MFMA.</p> <p>27. Irregular expenditure was not properly investigated and as a result was not recovered from the liable person, as required by section 32(2) of the MFMA.</p>	<p>We have implemented a zero tolerance on emergency procurements. All deviation requests are assessed by the Chief Financial Officer who will then recommend to the Municipal Manager and the Municipal Manager will approve or rejects all deviation request.</p> <p>Proper record keeping will be done to ensure that all necessary documents that resulted into deviation of the policy are kept.</p> <p>We have activated a supply chain module in the Munsoft system that will assist with the administration of the supply chain management process.</p>	<p>Chief Financial Officer</p> <p>Municipal Manager</p>
Revenue management	28. A credit control and debt collection policy was not implemented, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of MFMA.	<p>We are appointing extra staff to increase the capacity in the revenue division.</p> <p>We will also be sourcing an external service provider in February 2013 to assist with debt</p>	<p>Chief Financial Officer</p>

Leadership	<p>29. Management did not adequately exercise oversight responsibility over compliance with laws and regulations as well as internal control due to the accounting officer not directing and reviewing the performance of the system of internal control and continuously monitor compliance with laws and regulations. It resulted in significant deviations in compliance with applicable laws and regulations and I was not able to confirm the reliability of performance information.</p> <p>30. Effective human resource management to ensure that adequate and sufficiently skilled resources are in place in the procurement and information technology (IT) section was not implemented. It was mainly due to the fact that the applications for positions advertised did not meet the requirement of skilled and competent candidates.</p> <p>31. Policies and procedures to enable and support processes with regard to an effective performance management system were not established and implemented as significant findings with regard to performance information were noted. It was due to management not regarding</p>	<p>The Municipal Manager will be reviewing internal controls on regular basis to ensure that proper systems are in place and implemented. The internal audit unit will be used to effectively monitor the implementation of the internal controls.</p> <p>We will be appointing an IT officer in February 2013 who will be responsible for management of the IT division.</p> <p>We have established an IT steering committee which had its first meeting in December 2012. The next meeting will be March 2013.</p> <p>We have appointed a service provider that will assist in improving capacity in the PMS Unit in the municipality.</p>	<p>Municipal Manager</p>
-------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------

	<p>32. performance information as a main priority.</p> <p>33. Management did not develop an action plan to address prior year findings in time and therefore it was not fully implemented, resulting in repeat findings with regard to internal control, compliance, information systems, procurement and performance information.</p> <p>34. Due to a lack of capacity and appropriately skilled IT personnel, management had not enforced proper control over and monitoring of user access control, service provider's activities and IT governance processes.</p>	<p>The action plan is developed and proper monitoring will be implemented to ensure that all planned actions are implemented. The Municipal Manager will be reviewing the implementation plan in March 2013 and June 2013 to ensure that all actions are implemented.</p> <p>We have established an IT steering committee which had its first meeting in December 2012. The next meeting will be March 2013.</p>
--	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------



FS193 Nketoana - Table A1 Budget Summary

R thousands	Description	2009/10			2010/11			Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15			
Financial Performance													
Property rates	8	15	10 682	8 189	8 189	8 189	8 189	13 636	14 190	14 764			
Service charges	165 60	761 45	55 896	63 788	63 788	63 788	63 788	89 532	98 294	108 217			
Investment revenue	157 4	064 1	1 273	336	336	336	336	1 946	2 080	223			
Transfers recognised - operational	739 54	674 81	85 041	71 807	71 807	71 807	71 807	81 223	85 889	92 848			
Other own revenue	599 22	240 14	13 028	3 350	3 350	3 350	3 350	3 350	17 296	18 306	19 648		
	150	158	165 919	147 470	147 470	147 470	147 470	203 633	218 759	235 700			
	476	305											
Total Revenue (excluding capital transfers and contributions)													
Employee costs	28 195 3	37 500 152	38 540	39 986	39 986	39 986	39 986	52 629	56 313	60 255			
Remuneration of councillors	705 - 1	61 484 049	4 681	4 758	4 758	4 758	4 758	5 080	5 435	5 816			
Depreciation & asset impairment	079 477 - 055	16 621 71 016	61 168	11 970	11 970	11 970	11 970	61 168	64 227	67 438			
Finance charges			1 018	-	-	-	-	1 080	1 080	1 080			
Materials and bulk purchases			30 862	35 424	35 424	35 424	35 424	23 037	26 723	30 998			
Transfers and grants			-	-	-	-	-	-	-	-			
Other expenditure			83 386	28 198	28 198	28 198	28 198	49 634	50 683	51 935			
Total Expenditure	512	822	219 655	120 336	120 336	120 336	120 336	192 628	204 461	217 522			

Surplus/(Deficit)	29	12	(53)	27 134	27 134	27 134	11 005	14 299	18 179
Transfers recognised - capital	964	518	736)	23 814	23 814	23 814	34 018	35 885	37 960
Contributions recognised - capital & contributed	31	21							
assets	269	176	20 083						
	-	-	-	-	-	-	-	-	-
	61	8	(33)	50 948	50 948	50 948	45 023	50 184	56 139
	233	659	653)						
Surplus/(Deficit) after capital transfers & contributions									
Share of surplus / (deficit) of associate		-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year									
	61	8	(33)	50 948	50 948	50 948	45 023	50 184	56 139
	233	659	653)						
Capital expenditure & funds sources									
Capital expenditure	45	61	44 212	38 195	46 426	46 426	57 408	61 105	65 040
Transfers recognised - capital	790	515	61	17 945	27 745	30 585	30 585	45 545	55 412
	46	61	515						
	-	-	-	-	-	-	-	-	-
Public contributions & donations	855								
Borrowing									
Internally generated funds									
Total sources of capital funds									
	46	61	6 485	10 450	16 041	16 041	11 863	5 603	7 080
	855	515	24 430	38 195	46 626	46 626	57 408	61 015	65 040
Financial position									
Total current assets	44	67	56 584	52 650			52 050	52 695	55 857
	665	962	735	1 135	1 135	1 135	1 132	1 264	1 340
Total non current assets	1 056	061	703 771	766	-	766	006	764	650

Total current liabilities	416	10	145	24	32 267	17 731	-	17 731	17 731	33 957	38 952	21 708
Total non current liabilities	135	40	952	43	13 015	13 166	-	13 166	13 166	8 634	7 554	6 474
Community wealth/Equity	746	679	63 245	-	-	-	-	-	-	-	-	-
Cash flows												
Net cash from (used) operating	817	66	195	24	41 304	11 805	-	-	11 805	54 247	66 312	72 596
Net cash from (used) investing	-	-	125	(27)	(25)	-	-	-	(25)	4 718	5 001	5 301
Net cash from (used) financing	-	-	236	1	(118)	-	-	-	405	(597)	(633)	(671)
Cash/cash equivalents at the year end	817	66	123	65	(563)	80 746	11 805	-	(14)	58 368	129 047	206 273
Cash backlog/surplus reconciliation												
Cash and investments available	353	32	332	18	13 809	7 651	-	7 651	15 302	4 351	2 134	2 262
Application of cash and investments	(034)	(12)	(792)	(9)	(3)	(26)	-	-	(26)	(21)	(23)	(24)
Balance - surplus (shortfall)	386	44	124	28	253)	398)	-	-	398)	323)	649)	976)
Asset management												
Asset register summary (WDV)	566	3	650	3	1 127	1 105	-	-	1 171	1 171	1 241	1 316
Depreciation & asset impairment	-	5	484	61	61 168	11 970	-	-	398	398	681	182
Renewal of Existing Assets	814	5	314	8	2 000	28 762	-	-	11 970	61 168	61 168	67 438
Repairs and Maintenance	137	5	463	7	11 330	8 780	-	-	-	-	39 046	43 884
Free services	-	-	-	-	-	-	-	-	9 633	9 633	10 110	10 717
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-	-	-
Households below minimum service level	-	-	-	-	-	-	-	-	-	-	-	-
Water:	-	-	-	-	-	-	-	-	-	-	-	-

Sanitation/sewerage:	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-

FS193 Nketoana - Table B1
Adjustments Budget Summary -
31/01/2012

R thousands	Description	Budget Year 2011/12								Budget Year +1 2012/13	Budget Year +2 2013/14
		Original Budget A	Prior Adjusted 1 A1	Accum. Funds 2 B	Multi-year capital 3 C	Unfore. Unavoid. 4 D	Nat. or Prov. Govt 5 E	Other Adjusts. 6 F	Total Adjusts. 7 G	Adjusted Budget 8 H	
Financial Performance											
Property rates	8 189	-	-	-	-	-	-	-	-	8 189	-
Service charges	63 787	-	-	-	-	-	-	-	-	63 787	-
Investment revenue	3 101	-	-	-	-	-	-	-	-	3 101	-
Transfers recognised - operational	71 807	-	-	-	-	-	-	-	-	71 807	-
Other own revenue	585	-	-	-	-	-	-	-	-	585	-
Total Revenue (excluding capital transfers and contributions)	147 468	-	-	-	-	-	-	-	-	147 468	-
Employee costs	44 744	-	-	-	-	-	-	-	-	44 744	-
Remuneration of councillors	4 758	-	-	-	-	-	-	-	-	4 758	-
Depreciation & asset impairment	11 970	-	-	-	53 000	-	-	-	-	64 970	-
Finance charges	890	-	-	-	-	-	-	-	-	890	-
Materials and bulk purchases	24 176	-	-	-	-	-	-	-	-	24 176	-
Transfers and grants	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	33 798	-	-	-	27 000	-	-	-	-	27 000	60 798
Total Expenditure	120 336	-	-	-	80 000	-	-	-	-	80 000	200 336
Surplus/(Deficit)	27 132	-	-	-	(80 000)	-	-	-	-	(80 000)	(52 868)
Transfers recognised - capital	-	-	-	-	-	-	-	-	-	-	-

Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	27 132	-	-	-	(80 000)	(80 000)	(52 868)	-
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-
Surplus / (Deficit) for the year	27 132	-	-	-	(80 000)	(80 000)	(52 868)	-
Capital expenditure & funds sources								
Capital expenditure								
Transfers recognised - capital	38 195	-	-	-	-	-	-	-
Public contributions & donations	38 194	38 194	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-	-
Total sources of capital funds	38 194	38 194	-	-	-	8 432	8 432	46 626
Financial position								
Total current assets	39 100	-	-	-	27 000	-	27 000	66 100
Total non current assets	1 147	-	-	-	-	-	-	1 147
Total current liabilities	736	-	-	-	-	-	-	736
Total non current liabilities	17 731	-	-	-	-	-	-	17 731
Community wealth/Equity	13 166	-	-	-	-	-	-	13 166
Cash flows								
Net cash from (used) operating	228 006	-	-	-	-	-	-	228 006
Net cash from (used) investing	-	-	-	-	-	-	-	-
Net cash from (used) financing	-	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	228 006	-	-	-	-	-	-	228 006
Cash backlog/surplus reconciliation								
Cash and investments available	7 651	-	-	-	-	-	-	7 651
Application of cash and investments	17 607	(9 956)	-	-	-	-	-	17 607
Balance - surplus (shortfall)	(9 956)	-	-	-	-	-	-	-

Asset Management	1 105 092	16 041	-	30 585	-	46 626	718	1 151	-
Asset register summary (WDV)	-	-	53 000	-	-	53 000	64 970	-	-
Depreciation & asset impairment	-	-	-	-	-	-	28 762	-	-
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	9 130	-	-	-	-	-	9 130	-	-
Free services									
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-
Households below minimum service level									
Water:	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-

References

1. Only complete if a previous adjusted budget has been approved in the same financial year. Reflect most recent adjusted budget.
2. Additional cash-backed accumulated funds/unspent funds (MFMA section 18(1)(b) and section 28(2)(e)) identified after the Original Budget approved and after annual financial statements audited (note: only where underspending could not reasonably have been foreseen)
3. Increases of funds approved under MFMA section 31
4. Adjustments approved in accordance with MFMA section 29
5. Adjustments to transfers from National or Provincial Government
6. Adjusts. = 'Other' adjustments proposed to be approved; including revenue under-collection (MFMA section 28(2)(a)); additional revenue appropriation on existing programmes (section 28(2)(b)); projected savings (section 28(2)(d)); error correction (section 28(2)(f))
7. $G = B + C + D + E + F$
8. Adjusted Budget $H = (A \text{ or } A1/2 \text{ etc}) + G$

4.5 BUDGET TO ACTUAL COMPARISON

NKETOANA LOCAL MUNICIPALITY
APPENDIX A
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2012

Revenue

	2012	2012	2012
	Current Year actual	Current year adjusted budget	Variance
Property Rates	11 008 056	8 189 000	2 819 056
Service charges	74 593 512	63 033 000	11 560 512
Rental of facilities and equipment	323 968	373 000	(49 032)
Interest received - trading	15 529 229	2 763 000	12 766 229
Public contributions and donations	10 441 162		10 441 162
Fines	195 850	212 000	(16 150)
Government grants & subsidies	90 909 210	71 807 000	19 102 210
Discount received	7 654		7 654
Recoveries	8 353 558		8 353 558
Other income	4 681 229	755 000	3 926 229
Interest received - investment	962 951	336 000	626 951
Interest -other			
	217 006 379	147 468 000	69 538 379

Expenses

Personel	(45 869 588)	(44 744 000)	(1 125 588)
Manufacturing employee cost	(3 262)		(3 262)
Remuneration of councillors	(4 840 012)	(4 758 000)	(82 012)
Depreciation	(62 260 658)	(64 970 000)	2 709 342
Amortisation	(156 997)		(156 997)
Finance costs	(1 292 917)	(890 000)	(402 917)
Debt impairment	(43 155 574)	(32 600 000)	(10 555 574)
Repairs and Maintenance	(11 146 161)	(9 130 000)	(2 016 161)
Bulk purchases	(17 392 341)	(24 176 000)	6 783 659
Grants and subsidies paid	(34 869 342)	(19 068 000)	(15 801 342)
General expenses			-
	(220 986 852)	(200 336 000)	(20 650 852)

Other Revenue costs

Gain or losses on disposal of assets and liabilities	(28 844)	(28 844)
Fair Value	148 503	148 503
	119 659	119 659
Net surplus/(deficit) for the year	(3 860 814)	(52 868 000)

Total

4.6 INTERGOVERNMENTAL GRANTS 2011/2012**NKETOANA LOCAL MUNICIPALITY****GRANTS AND SUBSIDIES JUNE 2012**

DATE	EQUITABLE SHARE	MIG	MFMG	MSIG
2011/07	28 376 000.00	10 187 000.00	1 450 000.00	790 000.00
2011/11	21 545 000.00			
	473 000.00			
2012/01		6 810 000.00		
2012/03	17 392 000.00			
2012/03		11 047 000.00		
TOTAL	67 786 000.00	28 044 000.00	1 450 000.00	790 000.00

**4.7 REPORT ON ARREARS ON MUNICIPAL TAXES AND SERVICEE CHARGES
NKETOANA CONSUMER DEBTORS 2011/2012**

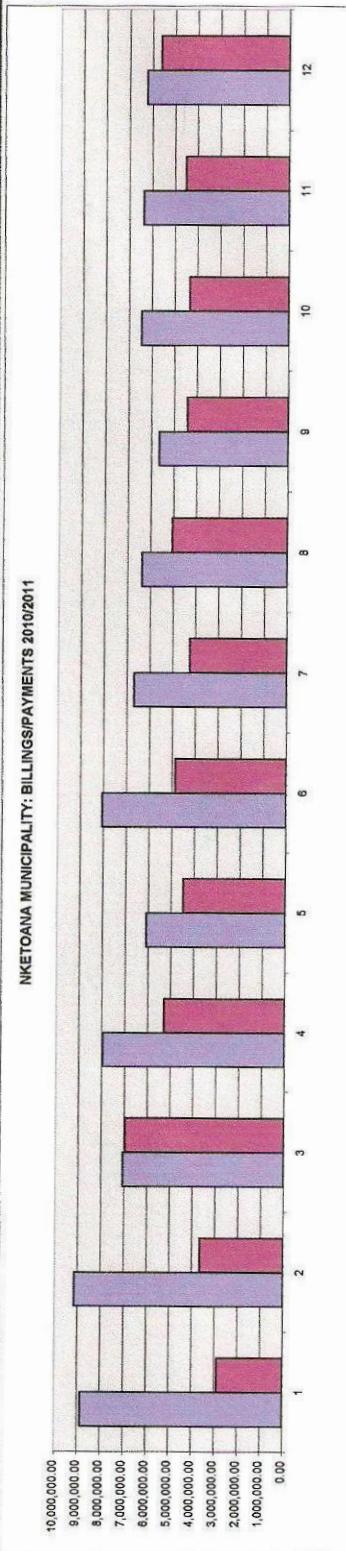
Service	Days				Sub-Total	Impairment	Total
	0 - 30	31 - 60	61 - 90	91 - 120	121 - 365		
Rates	915 953	345 487	277 226	324 007	11 720 997	13 583 670	3 587 107
Electricity	1 976 038	242 852	198 536	169 883	2 813 134	5 400 443	996 998
Water	1 336 107	393 318	329 998	367 810	5 846 979	8 274 212	27 621 832
Sewerage	549 410	170 472	162 569	157 671	5 569 891	6 610 013	25 309 525
Refuse	549 410	170 471	162 569	157 671	6 144 144	7 184 265	29 984 337
Sundry	1 469 620	506 372	503 733	469 730	15 993 437	18 942 892	57 037 178
Housing	0	0	0	0	50 089	50 089	555 504
Total	6 796 538	1 828 972	1 634 631	1 646 772	48 138 671	60 045 584	145 092 481
							205 138 065

4.8 REPORT ON PERFORMANCE ON REVENUE COLLECTION FROM EACH REVENUE SOURCE

NKETOANA MUNICIPALITY - DEBTOR STATS (2011/2012)
(Billings/Payments)

Month	Reitz		Petrus Steyn		Lindley		Arlington		Totals					
	Billing	Payments	%	Billing	Payments	%	Billing	Payments	%	Equitable	Payments	%		
July	2,803,279.35	0.00	0.00%	3,870,470.10	0.00	0.00%	1,450,322.95	0.00	0.00%	733,673.25	0.00	0.00%		
August	4,437,911.59	0.00	0.00%	2,506,673.92	0.00	0.00%	1,616,987.05	0.00	0.00%	581,775.66	2,538,836.32	28.66%		
September	3,439,446.37	0.00	0.00%	1,735,989.77	0.00	0.00%	1,309,045.49	0.00	0.00%	570,087.31	3,196,312.54	34.66%		
October	3,684,581.70	0.00	0.00%	2,089,047.71	0.00	0.00%	1,578,224.94	0.00	0.00%	588,203.47	6,326,837.74	88.68%		
November	2,909,183.71	0.00	0.00%	1,417,013.64	0.00	0.00%	1,287,541.34	0.00	0.00%	473,415.44	4,589,057.82	57.05%		
December	3,531,589.61	0.00	0.00%	2,819,915.99	0.00	0.00%	1,234,629.77	0.00	0.00%	482,472.34	6,087,214.13	53.57%		
January	3,479,023.73	0.00	0.00%	1,423,502.54	0.00	0.00%	1,411,687.47	0.00	0.00%	8,048,804.01	3,624,694.03	45.04%		
February	3,387,584.85	0.00	0.00%	1,328,675.42	0.00	0.00%	1,207,220.83	0.00	0.00%	444,103.17	2,914,375.04	43.64%		
March	2,826,508.29	0.00	0.00%	1,261,459.80	0.00	0.00%	1,203,925.89	0.00	0.00%	382,282.22	6,367,384.27	47.17%		
April	3,232,474.25	0.00	0.00%	1,414,567.06	0.00	0.00%	1,325,853.35	0.00	0.00%	456,196.74	6,344,156.20	3,192,843.92	56.37%	
May	2,615,648.26	0.00	0.00%	1,317,250.48	0.00	0.00%	1,915,301.16	0.00	0.00%	459,185.46	2,847,886.00	44.16%		
June	3,346,965.79	0.00	0.00%	1,419,631.63	0.00	0.00%	1,281,440.40	0.00	0.00%	428,818.87	3,148,815.94	49.46%		
	39,773,197.50	0.00	0.00%	22,804,198.19	0.00	0.00%	16,568,197.64	0.00	0.00%	5,924,482.53	0.00	0.00%		
											84,871,055.86	43,963,187.88	51.80%	
												12,307,626.28	56,270,883.97	66.30%

NKETOANA MUNICIPALITY: BILLINGS/PAYMENTS 2010/2011





NKETOANA LOCAL MUNICIPALITY



Chapter 5



ANNUAL REPORT 2011/2012

CHAPTER 5 - FUNCTIONAL AREA SERVICE DELIVERY REPORTING

PERFORMANCE REPORT 2011/2012
INDEX

Page Number

5.1. SERVICE DELIVERY PERFORMANCE REPORT**5.1.1 Component A : Basic Services**

- 5.1.1.1 Water Provision
- 5.1.1.2 Sanitation Provision
- 5.1.1.3 Electricity
- 5.1.1.4 Waste Management
- 5.1.1.5 Housing
- 5.1.1.6 Free Basic Services and Indigent Support

5.1.2 Component B : Road Services

- 5.1.2.1 Roads
- 5.1.2.2 Transport, Vehicle licensing and Public Bus Operation

5.1.3 Component C : Planning and development

- 5.1.3.1 Planning
- 5.1.3.2 Local Economic Development and Tourism

5.1.4 Component D : Community and Social Services

- 5.1.4.1 Libraries and Community Facilities
- 5.1.4.2 Cemeteries, Crematoriums, Parks and Sports grounds

5.1.5 Component E : Traffic and Law Enforcement

- 5.1.5.1 Traffic and Law Enforcement

5.1.6 Component F : Corporate Policy offices and other services

- 5.1.6.1 Executive and Council and Offices of the Municipal Manager
- 5.1.6.2 Financial Services
- 5.1.6.3 Human Resource Services
- 5.1.6.4 Information and Communication Technology Services

5.2. ORGANIZATIONAL DEVELOPMENT PERFORMANCE**5.2.1 Component A : Introduction to the Municipal Personnel**

- 5.2.1.1 Employee totals, turnover and vacancies

5.2.2 Component B : Policies

- 5.2.2.1 Policies
- 5.2.2.2 Injuries, Sickness and Suspension
- 5.2.2.3 Performance Rewards

5.2.3 Component C : Capacitating the Municipal Work force**5.2.4 Component D : Managing the Work force Expenditure**

- 5.2.4.1 Employment Expenditure

5.3. FINANCIAL PERFORMANCE

5.3.1 Component A : Statements of Financial Performance

- 5.3.1.1 Statement of Financial Performance
- 5.3.1.2 Grants
- 5.3.1.3 Asset Management

5.3.2 Component B : Spending against Capital Budget

- 5.3.2.1 Sources of Finance
- 5.3.2.2 Capital Spending on 5 largest Projects
- 5.3.2.3 Basic Services and Infrastructure Backlogs - Overview
- 5.3.2.4 Borrowing and Investments
- 5.3.2.5 Public Private Partnerships

5.3.3 Component C : Other Financial matters

- 5.3.3.1 Supply chain Management
- 5.3.3.2 GRAP - Compliance

ANNUAL PERFORMANCE REPORT - NKETOANA LOCAL MUNICIPALITY

5.1. SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

INTRODUCTION

As a creation of the Constitution of the Republic of South Africa Nketoana Local Municipality provides services as outlined in Schedules 4 (Part B) and 5 (Part B) of the Republic of South Africa Act, (Act 108 of 1996). These services include water provision, waste water (sanitation), electricity distribution, waste management (including refuse removal and solid waste disposal) and the facilitation of housing and provision of sites. In accordance with National Treasury Guidelines and Directives, the Municipality also provides Free Basic Services (FBS) to indigent households within our communities. This is meant to provide relief to those households that are not able to pay their consumer accounts.

5.1.1 COMPONENT A: BASIC SERVICES

The extent to which Nketoana Local Municipality provides services such as water, waste water (sanitation), electricity, waste management and housing services will be provided and achievements realised will be discussed and a summary of free basic services will be reported.

5.1.1.1 WATER PROVISION

The Water Services Act of 1997 and the General Enabling Act of 2005 dictate how Water Authorities and Water Service Providers should provide the water services as well as the quality of water that needs to be supplied. 100% of households within the municipal area have access to the basic level of clean water. Although the quality



of the water provided is good, Nketoana needs to improve on the Blue Drop status of the water service. To ensure that Nketoana will reach the desired Blue Drop rating it is envisaged to appoint a Manager Waste Water and Water Purification. The indicators are described in detail below.

Description	Households			
	2008/09 Actual No.	2009/10 Actual No.	2010/11 Actual No.	2011/12 Actual No.
Water- (above minimum level)				
Piped water inside dwelling				
<i>Piped water inside yard (but not in dwelling)</i>	11213	11213	12243	12243
<i>Using public tap (within 200m from dwelling)</i>	1975	1975	3005	3005
<i>Other water supply (within 200)</i>	0	0	0	0
<i>Minimum Service Level and sub-total</i>				
<i>Minimum Service Level and Above Percentage</i>	13188	13188	15248	15248
	100%	100%	100%	100%
Water- (below minimum level)				
Using public tap (more than 200m from dwelling)	0	0	0	0
Other water supply (more than 200m from dwelling)	0	0	0	0
No water supply	0	0	0	0
<i>Below Minimum Service Level sub-total</i>	0	0	0	0
<i>Below Minimum Service Level Percentage</i>	0%	0%	0%	0%
Total number of households including informal settlements	14218	14218	15248	15248

Table 3.1

Description	Households –Water Service Delivery Levels below the Minimum					
	Households					
Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.	
FORMAL SETTLEMENTS						
Total households	0	0	0	0	0	0
Households below minimum service level	0	0	0	0	0	0
Proportion of households below minimum service level (%)	0	0	0	0	0	0
INFORMAL SETTLEMENTS						
Total households	0	0	0	0	0	0
Households below minimum service level	0	0	0	0	0	0
Proportion of households below minimum service level	0	0	0	0	0	0

Table3.2

Job level	EMPLOYEES: WATER SERVICES					
	2010/11		2011/12			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts)	
0 -3	0	1	0	1	100%	
4 -6	0	5	1	4	80%	
7 -9	0	6	6	0	0%	
10 -12	0	2	2	0	0%	
13 -15	0	40	24	16	40.8%	
16 -18	0	0				
19 -20	0	0				
Total	0	54	33	21	38.8%	

Table 3.3

Details	FINANCIAL PERFORMANCE 2011/12: WATER SERVICES				
	R'000				
	2010/11	2011/12			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue (excluding tariffs)	27 622 258	21 357 000	21 357 000	33 601 718	12 244 718
Expenditure:					
Employees	3 726 708	2 929 356	2 929 356	4 251 478	1 322 122
Repairs and Maintenance	2 288 499	2 580 000	2 359 000	2 389 951	30 951
Other	11 728 768	24 187 452	24 187 452	30 426 565	6 239 113
Total Operational Expenditure	17 744 975	29 696 808	29 475 808	37 067 994	7 371 186
Net Operational (Services) Expenditure	9 877 283	(8 339 808)	(8 118 808)	(3 466 276)	

Table 3.4

Capital Projects	2011/12				
	Budget	Adjustment Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
Total All	14 502 988	15 234 084	6 926 365	-14 446 458	
None					

Table 3.5

COMMENT ON WATER SERVICES PERFORMANCE OVERALL:

The municipality is constructing a water purification plant in Lindley that will increase the water supply by 2 mega liters per day.

The municipality have installed water reticulation network for 330 sites in Petsana

The provision of water is done in all areas in all units. The service is reliable and almost uninterrupted. Minor interruptions occurred only when emergencies happen or maintenance must be done. The interruptions seldom last more than a few hours.

The municipality provides water that complies with SANS 241.

Each household receives 6 kilo liter water per month as part of free basic services.

The municipality responds promptly to customer complaints regularly.

The overall performance in the provision of water is good. In the 2012/2013 financial year the improvement of the Blue Drop status of the water will be a priority in the Water services in Nketoana

5.1.1.2 SANITATION PROVISION

INTRODUCTION TO SANITATION PROVISION

Nketoana is still committed to provide the highest level of sanitation services to its residents. In our area of jurisdiction the highest level of sanitation services provided by the municipality is a flush toilet connected to the sewerage system and the basic level of service includes flush toilet with septic tank and a PIT latrine with ventilation. There is still bucket sanitation in informal settlements. The reason for this level of service is that Nketoana has in some of its towns, serious water challenges. Without water it is just not possible to upgrade to a flush toilet. There is a high level of resistance from the communities regarding VIP units. It reached the level where Council has stopped to install such units completely.

The indicators for sanitation services are depicted below:

Description	Sanitation Services Delivery Levels		
	Households		
	2009/10	2010/11	2011/12
	Actual No.	Actual No.	Actual No.
Sanitation/sewerage- (above minimum level)			
Flush toilet (connected to sewerage)	9706	9706	9706
Flush toilet (with septic tank)	98	98	98
Chemical toilet	0	0	0
Pit toilet (Ventilated)	1100	1100	1100
Other toilet provisions (above minimum level)	10 455	10 455	10 455
<i>Minimum Service Level and Above sub-total</i>			
	100%	100%	
Sanitation/sewerage- (below minimum level)			
Bucket toilet	2321	2671	2671
Other toilet provisions (below minimum service level)	0	0	0
No toilet provision (Empty sites)	0	0	0
<i>Below Minimum Service Level sub-total</i>	2321	2671	2671
	13%	13%	
Total number of households including informal settlements	11 791	11 791	

Table 3.6

Households –Sanitation Service Delivery Levels below the Minimum Standard Households						
Description	2008/09	2009/10	2010/11	2011/12		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
FOMAL SETTLEMENTS	10 306	11 791	11 791			
Total households	10 306	11 791	11 791			
Households below minimum service level	0	0	0			
Proportion of households below minimum service level (%)	0	0	0			
Households below minimum service level	0	0	0			
Proportion of households below minimum service level	0	0	0			

Table 3.7

EMPLOYEES: SANITATION SERVICES					
Job level	2010/11	2011/12			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 -3	16	0	0	0	0
4 -6	7	0	0	0	0
7 -9	0	1	0	1	100%
10 -12	0	4	4	0	0
13 -15	0	36	36	0	0
16 -18	0	0		0	0
19 -20	0	0		0	0
Total	23	41		1	2.44%

Table 3.8

Details	FINANCIAL PERFORMANCE 2011/12: SANITATION SERVICES				
	2011/12				R'000
Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue (excluding tariffs)	12 299 929	9 995 000	9 995 000	19 759 308	9 764 308
Expenditure:					
Employees	3 641 749	4 508 475	4 508 475	6 601 454	2 092 979
Repairs and Maintenance	737 762	800 000	1 360 000	1 242 227	117 773
Other	4 014 140	14 592 898	14 592 898	16 227 591	1 634 693
Total Operational Expenditure	8 393 651	19 901 373	20 461 373	24 071 272	3 609 899
Net Operational (Services) Expenditure	3 906 303	(9 906 373)	(10 466 373)	(4 311 964)	

Table 3.9

Capital Projects	CAPITAL EXPENDITURE 2011/12				
	Sanitation Services				
	Budget	Adjustment Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
Total All	1 103 979	7 621 979	0	1 103 979	

Table 3.10

COMMENT ON SANITATION SERVICES PERFORMANCE OVERALL:

The municipality could not implement two waste water projects due to alternative approaches we plan to implement. The projects are redesigned but this did not have any impact on the level of services we provided to the communities.

VIP Toilets: The municipality cleaned VIP toilets quarterly.

The pump station in Lindley was upgraded and it improved the services rendered. The risk of spillage into the river is now the minimum.

The waste water samples tested meet the SANS 241 requirements.

Complaints by the communities are responded promptly and regularly.

5.1.1.3 ELECTRICITY

INTRODUCTION TO ELECTRICITY

For the purpose of electricity provision, basic level of access to electricity is defined as including connection of the household to the grid and basic level of service includes 10 Amp connections.

Electricity Generation and Transmission is the sole responsibility of ESKOM. Nketoana Municipality is licensed by the National Energy Regulator of South Africa (NERSA) only to distribute electricity within its area of jurisdiction. However, the responsibility of distribution is shared by ESKOM and the municipality. The municipality distribute electricity in Reitz, Petrus Steyn, Lindley and Ntha. Petsana, Mamafubedu, Arlington and Leratswana are direct serviced by ESKOM. The Nketoana Municipality has noted over time that electricity is no longer a cheap commodity and that it is no longer in abundance as it used to be. As a result, the municipality continues to appeal to users to use it sparingly and to take measures intended to reduce pressure on the national grid. It is envisaged that in the coming years the municipality will explore alternative sources of energy to ensure that the most affordable services can still be rendered to the communities.

The indicators for electricity services are depicted below (the figures below apply only to the municipality's licence and exclude the Eskom licence area):

Description	Households			
	2008/09	2009/10	2010/11	2011/12
Actual No.	Actual No.	Actual No.	Actual No.	Actual No.
Energy- (above minimum level)				
Electricity (at least minimum service level)			1548	1548
Electricity – prepaid (minimum service level)			4593	4593
Minimum Service Level and Above sub-total			6141	6141
Minimum Service Level and Above Percentage			100%	100%
Energy- (below minimum level)	0	0	0	0
Electricity (< minimum service level)	0	1000	1000	1000
Electricity – prepaid (< minimum service level)				
Other energy sources				
Below Minimum Service Level sub-total	0	1000	1000	1000
Below Minimum Service Level Percentage				
Total number of households including informal settlements	14218	14218	15248	15248

Table 3.11

Households –Electricity Service Delivery Levels below the Minimum						
Description	Households					
	2008/09	2009/10	2010/11	2011/12		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
FOMAL SETTLEMENTS	0	0	0			
Total households <i>Households below minimum service level</i>	0	1000	1000			1000
<i>Proportion of households below minimum service level (%)</i>	0	0	0			
INFORMAL SETTLEMENTS	0	0	0			
Total households						
Households below minimum Service level	0	0	0			
Proportion of households below minimum service level	0	0	0			

Table 3.12

EMPLOYEES: ELECTRICITY SERVICES					
Job level	2010/11	2011/12			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 -3		6	2	4	66.67%
4 -6		4	1	3	75%
7 -9		3	3	0	0
10 -12		2	2	0	0
13 -15		15	11	4	4%
16 -18		0	0	0	0
19 -20		0	0	0	0
Total		30	19	11	36.67%

Table 3.13

FINANCIAL PERFORMANCE 2011/12: ELECTRICITY SERVICES					
Details	2010/11	2011/12			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue (excluding tariffs)	18 179 324	20 304 000	20 304 000	28 050 580	7 746 580
Expenditure:					
Employees	3 317 347	4 105 017	4 105 017	3 430 866	(674 152)
Repairs and Maintenance	662 625	500 000	1 100 000	2 114 976	1 014 976
Other	23 776 065	25 328 483	28 430 001	25 148 265	(3 281 736)
Total Operational Expenditure	27 756 037	26 239 000	33 635 018	30 694 107	(2 940 911)
Net Operational (Services) Expenditure	9 576 713	(5 935 000)	(13 331 018)	(2 643 527)	

Table 3.14

CAPITAL EXPENDITURE 2011/12 Electricity Services					
Capital Projects	2011/12				
	Budget	Adjustment Budget	Actual Expenditure	Variance original budget	Total Project Value
Total All	2 920 000	3 955 000	9 140	-2 910 860	

Table 3.15

COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL:

The municipality has installed 4 500 pre-paid meters to households and businesses in Lindley, Ntha and Petrus Steyn. This is an attempt to prevent the of electricity through tampering with meters.

Streetlights are maintained regularly. 15 highmast lights were installed in residential areas.

1.1.4 WASTE MANAGEMENT

INTRODUCTION TO WASTE MANAGEMENT

Nketoana Municipality spares no effort to ensure that refuse removal is done at least once a week at every household, to ensure the efficient management of the solid waste disposal sites, to prevent littering and to ensure that the streets and pavements are regularly cleaned. The removal of accumulated illegal dumping are removed to ensure a healthy environment. Although there are still isolated areas of inconsistency, remedial action is taken where such are detected. Recycling is receiving more attention and it is envisaged that in the coming years recycling will feature as a priority as it is important for environmental issues as well as a tool for poverty alleviation.

The indicators for waste management services are depicted below:

Description	Households			
	2008/09	2009/10	2010/11	2011/12
Actual No.	Actual No.	Actual No.	Actual No.	Actual No.
Solid waste- (minimum level) <i>Removed at least once a week</i>			15078	15078
<i>Minimum Service Level and Above sub-total</i>			15078	15078
<i>Minimum Service Level and Above Percentage</i>			100%	100%
Solid Waste Removal- (below minimum level)				
<i>Removed less frequently than once a week</i>	0	0	0	
<i>Using communal refuse dump</i>	0	0	0	
<i>Using own refuse dump</i>	0	0	0	
<i>Other rubbish disposal</i>	0	0	0	
<i>No rubbish disposal</i>	0	0	0	
<i>Below Minimum Service Level sub-total</i>	0	0	0	
<i>Below Minimum Service Level Percentage</i>	0	0	0	
Total number of households including informal settlements			15078	15078

Table 3.16

EMPLOYEES: SOLID WASTE MANAGEMENT SERVICES

Job level	2010/11		2011/12		
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 -3	44	1	1	0	0
4 -6	10	3	3	0	0
7 -9	0	0	0	0	0
10 -12	0	11	0	1	90.09%
13 -15	0	62	52	10	16.13%
16 -18	0	0	0	0	0
19 -20	0	0	0	0	0
Total	54	77	66	11	14.28 %

Table 3.17

FINANCIAL PERFORMANCE 2010/11: WASTE DISPOSAL AND OTHER SERVICES					
Details	2010/11		2011/12		
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue (excluding tariffs)	12 983 762	11 377 000	11 377 000	14 645 688	3 268 688
Expenditure:					
Employees	3 314 411	4 009 000	3 625 781	3 489 652	136 129
Repairs and Maintenance	290 664	0	196 000	308 151	112 151
Other:	8 571 859	7 187 000	13 799 615	14 052 252	252 637
Total Operational Expenditure	12 176 934	11 196 000	17 621 396	17 850 055	228 659
Net Operational (Services) Expenditure	(806 828)	181 000	(6 244 396)	(3 203 859)	

Table 3.18

CAPITAL EXPENDITURE 2011/12 Waste Management Services					
Capital Projects	2011/12				
	Budget	Adjustment Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
	10 764 000	10 612 000	16 705 000	5 941 000	

Table 3.19

COMMENT ON WASTE MANGEMENT SERVICE PERFORMANCE OVERALL:

The capacity of landfill sites forms part of the planning done by this section. It is of the utmost importance that landfill sites be planned properly to adhere to all relative legislation. Effort was taken to ensure that all functioning landfill sites are licensed. A new landfill site is under construction in Reitz/Petsana. The landfill site in Arlington/Leratswana was closed and rehabilitated due the risky location of the site. A Transfer station is under construction. The solid waste will be transferred to the landfill site in Lindley. The municipality has also executed a cleaning campaign in all units. All residents were issued with dust bins. Illegal dumping is a constant challenge and it is envisaged that extensive campaigns will be undertaken to inform and educate communities on illegal dumping. The collection of refuse was enhanced tremendously in the 2011/2012 financial year. With the appointment of a manager for this section, the monitoring was done regularly and the service improved. The system of preparing daily/monthly reports also assisted in the monitoring process.

5.1.1.5 HOUSING

INTRODUCTION TO HOUSING

Housing in the Free State Province is a provincial competency unless in instances where a municipality is accredited by the provincial government to build government funded houses. This is not the case in Nketoana Municipality. The responsibility of Nketoana Municipality with regards to housing is to allocate (sites), provide infrastructure and to maintain a waiting list of residents who qualify for RDP houses. The number of houses built within the municipal area in any given year depends solely on the number of housing units allocated by the provincial government. The responsibility of the municipality in this regard, is to identify beneficiaries and to assist applicants to complete application forms. In 2010/2011 financial year Nketoana received an allocation of 600 houses and it was distributed to Reitz/Petsana 150, PetrusSteyn/Mamafubedu 350, Lindley/Ntha 100 and Arlington/Leratswana 0. For the 2011/2012 no allocations were done to any municipality. The MEC wants to focus on any incomplete houses in all the municipalities. In Nketoana were only 58 incomplete houses in Mamafubedu. The houses are now completed.

PERCENTAGE OF HOUSEHOLDS WITH ACCESS TO BASIC HOUSING			
Year End	Total households (including formal and informal settlements)	Households in formal settlements	Percentage of HH's in formal settlements
2008/09	-	-	-
2009/10	-	-	-
2010/11	15013	7937	52.87%
2011/12	15248	8172	53.59%

Table 3.20



EMPLOYEES: HOUSING SERVICES					
Job level	2010/11	2011/12			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 -3	0	0	0	0	0
4 -6	0	2	2	0	0
7 -9	0	4	4	0	0
10 -12	0	0	0	0	0
13 -15	0	0	0	0	0
16 -18	0	0	0	0	0
19 -20	0	0	0	0	0
Total	0	6	6	0	0

Table 3.21

FINANCIAL PERFORMANCE 2011/12: HOUSING SERVICES					
Details	2010/11	2011/12			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue (excluding tariffs)	0				
Expenditure:					
Employees	0				
Repairs and Maintenance	0				
Other	0				
Total Operational Expenditure	0				
Net Operational (Services) Expenditure	0				

Table 3.22

CAPITAL EXPENDITURE 2011/12 Housing Services					
Capital Projects	2011/12				
	Budget	Adjustment Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
None	0	0	0	0	

Table 3.23

COMMENT ON THE PERFORMANCE OF THE HOUSING SERVICE OVERALL:

The provision of housing services, especially to the poorest of the poor is the sole competency of the Free State Provincial Authorities. As a result it is not possible for Nketoana to budget for this expenditure, except in instances where the number of housing units allocated to us is communicated well in advance. During the year under review, no housing allocations were made for our Municipality.

5.1.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

Nketoana Municipality regulates the access of consumers to Free Basic Services (FBS) and maintain a ledger of such indigents. The total value of FSB services is determined in a way that can be recovered from the available portion of the equitable share. Free basic services benefit regarding electricity is also available to all residents in urban Nketoana. The municipality and ESKOM has developed a method in which direct users from Eskom can also enjoy the same benefit regarding Free Basic Services as those community members who receive electricity from the municipality.

It is thus worth noting that FBS on electricity is provided to all residents with each household receiving the first 50 kW/h free of charge monthly.

For the financial years of 2010/2011 and 2011/2012, the level of income for people to qualify to be registered for the benefits linked to indigent registration was R 1 600.00 per month

FREE BASIC SERVICES TO LOW INCOME HOUSEHOLDS								
Number of households								
	Total	Households earning less than R1 600-00 per month						
		Free Basic Water	Free Basic Sanitation	Free Basic Electricity	Free Basic Refuse	Access	%	Access
		Access	%	Access	%	Access	%	Access
2010/11	3087	4343	100	4343	100	1075	100	4343
2011/12	3641	3641	100	3641	100	1075	100	3641

Table 3.24

FINANCIAL PERFORMANCE 2011/12: COST TO MUNICIPALITY OF FREE BASIC SERVICE DELIVERED		
Service Delivered	2010/11	2011/12

GRAVEL ROAD INFRASTRUCTURE	
	Kilometres

	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Water	5 388 528	0	0	7 394 985	7 394 985
Waste Water (Sanitation)	3 070 976	5 319 919	5 319 919	1 134 411	(4 185 508)
Electricity	1 954 550	5 064 000	5 064 000	2 108 573	(2 955 427)
Waste Management (Solid water)	3 526 445			3 040 595	3 040 595
Total					

Table 3.25

COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT:

Indigent Support is restricted to residents of the municipality within municipal supply area, who are unable to pay their municipal accounts. An indigent register is kept for registered indigents and updated regularly. The income level to be able to register is R 1 600.00 per month per household.

The municipality supports 3 641 indigents monthly while free basic services are provided to customers.

Debt owned by indigents to the amount of R 40 million rand was written off.

5.1.2 COMPONENT B: ROAD TRANSPORT

This component includes: roads; transport; and storm water drainage.

5.1.2.1 ROADS

INTRODUCTION TO ROADS

The majority of our roads are dirt and gravel roads especially in the townships and few tarred roads. Our strategies include, budget allowing, the tarring or paving of current dirt roads, filling of pot-holes as well as the rehabilitation of the current tarred roads. Because of the financial constraints and our inability to generate enough own funds, this municipality largely depends on grants and allocations from both the District Municipality and the Provincial and National spheres of government for the upgrading and even maintenance of the roads. The municipality 24 km paved road distributed in all units and it really impact on the access to the areas as well as the improved ability to move within the areas.

Year	Total Gravel Roads	New gravel roads completed	Gravel Roads upgraded to tar	Gravel Roads Graded/maintained
2009/10		0	0	
2010/11	187.2	0	0	56.16
2011/12	187.2	0	0	56.16

Table 3.26

PAVED ROAD INFRASTRUCTURE					
Year	Total paved roads	New paved roads	Existing paved Roads re-paved	Existing paved Roads partially repaired	Paved roads maintained
2009/10					
2010/11	38.62	0	0	0	0
2011/12	40.62	2	0	0	1

TARRED ROAD INFRASTRUCTURE					
Year	Total tarred roads	New tar roads	Existing tar Roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
2009/10	39.8	0	0	0	
2010/11	39.8	0	0	0	
2011/12	39.8		6km		25km

Table3. 27

NB: Public Works includes Roads, Storm Water and Waste Water. All personnel do work in all sections.

Job level	EMPLOYEES: ROADS				
	2010/11	2011/12			
Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %	
0 -3	1	0	1	100%	
4 -6	5	3	2	40%	
7 -9	0	0	0	0	
10 -12	14	8	6	42.86%	
13 -15	0	11	15	57.69%	
16 -18	0	0	0	0	
19 -20	0	0	0	0	
Total	46	22	24	52.17 %	

Table 3.28

NB: Public Works includes Roads, Storm Water and Waste Water .All work in all sections.

FINANCIAL PERFORMANCE 2010/11: ROADS SERVICES					
Details	2010/11		2011/12		
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue (excluding tariffs)	5 010	0	0	2 971 125	2 966 115
Expenditure:					
Employees	2 037 762	3 266 000	3 017 337	363 424	(2 653 913)
Repairs and Maintenance	2 331 913	3 100 000	4 050 000	3 119 899	(930 101)
Other	514 913	4 526 000	4 256 191	48 242 847	43 716 847
Total Operational Expenditure	4 884 588	10 892 000	11 323 528	51 726 170	40 402 642
Net Operational (Services) Expenditure	(4 879 578)	(10 892 000)	(11 323 528)	(48 755 044)	

Table 3.29

CAPITAL EXPENDITURE 2011/12 Roads Services					
Capital Projects	2011/12				
	Budget	Adjustment Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
	1 473 684	2 973 684	1 078 989	394 695	

Table 3.30

5.1.2.2 TRANSPORT, VEHICLE LICENSING & PUBLIC BUS OPERATION

COMMENTS ON THE PERFORMANCE OF TRANSPORT OVERALL

Nketoma Local Municipality does not provide any train, bus or taxi services to its community. As a result there are no Employees, Financial nor Capital Costs reported associated with this service.

5.1.3 COMPONENT C: PLANNING AND DEVELOPMENT

This component includes: planning; and local economic development.

INTRODUCTION TO PLANNING AND DEVELOPMENT

Nketoana's geographic position as well as its limited scope of growth coupled with the large figure of unemployment, provides very little opportunities for planning and development. The biggest activities currently include building plans; rezoning applications; applications for consolidation and consent use.

5.1.3.1 PLANNING

INTRODUCTION TO PLANNING

In the Townships the biggest challenge is the practice of erecting new houses and extension of existing housing units without residents submitting building plans to the municipality for approval. A further challenge is that residents run business at their houses without applying for such properties to be rezoned. Although this is a serious problem, the municipality accept that it has to balance legal compliance with the need to stimulate small business development and initiatives. Subdivisions are also an activity that is managed by this section. The main challenge in the municipality

Details	Application for Land Use Development					
	Formalization of townships		Rezoning		Built Environment	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
Planning application received	2	1	3	0	7	6
Determination made in year of receipt	0	0	3	0	7	6
Determination made in following year	0	0	0	0	0	0
Applications withdrawn	0	0	0	0	0	0
Applications outstanding at year end	0	0	0	0	0	0

Table 3.31

This Municipality does not have a town planner but a building inspector. All the functions associated with these functions are normally outsourced. This option seems to be the most cost-effective.



5.1.3.2 LOCAL ECONOMIC DEVELOPMENT AND TOURISM

INTRODUCTION TO ECONOMIC DEVELOPMENT

The Local Economic Development (LED) Function of the Municipality is located in the Department of Housing, Planning, LED and Tourism. A Strategy was developed but not yet approved by Council. The LED function includes Infrastructural Development, Informal Trade and by-laws, rural development, Identification and upgrading and establishment of tourism facilities and tourism sector plans. The LED function is not yet fully operational and little if any data is available yet. It is envisaged that in the coming financial year development of this function will be a priority for the municipality.

Nketoana is situated favourable and easily reached from Gauteng and lies en route of heavy traffic between major centres like Gauteng and the South Cost of KwaZulu-Natal. There are several quest farms and sights of interest that are linked to agriculture. The development of tourism can act as a method of creating sustainable jobs and thus limit unemployment.

Sector	Economic Activity by Sector		
	2009/10	2010/11	2011/12
Agriculture	0	0	0
Mining and quarrying	0	0	0
Manufacturing	0	0	0
Wholesale and retail trade	0	0	0
Finance, property, etc.	0	0	0
Government, community and social services	0	0	0
TOTAL	0	0	0

Table 3.32

Sector	Economic Employment by Sector		
	2009/10 No.	2010/11 No.	2011/12 No.
Agriculture	0	0	0
Mining and quarrying	0	0	0
Manufacturing	0	0	0
Wholesale and retail trade	0	0	0
Finance, property, etc.	0	0	0
Government, community and social services	0	0	0
TOTAL	0	0	0

Table 3.33

COMMENT ON LOCAL ECONOMIC DEVELOPMENT

The formal employment sector is unable to provide the number of jobs that are required. As a result Local Economic Development becomes a key driver of job creation.

Job Creation through EPWP projects		
Details	EPWP Project No.	Job creation through EPWP Project No.
2009/10	0	0
2010/11	0	95
2011/12 Refer to attached MIG Report	0	102

Table 3.34

Job level	2010/11		2011/12		
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total % of total posts) %
0 -3	0	1	1	0	0
4 -6	0	1	1	0	0
7 -9	0	0	0	0	0
10 -12	1	0	0	0	0
13 -15	0	0	0	0	0
16 -18	0	0	0	0	0
19 -20	0	0	0	0	0
Total	1	2	2	0	0 %

Table 3.35

5.1.4 COMPONENT D: COMMUNITY & SOCIAL SERVICES

This component includes: libraries; archives; community halls; cemeteries and crematoria; child care; aged care; social programmes, theatres.

5.1.4.1 LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES;

INTRODUCTION TO LIBRARIES; ARCHIVES AND COMMUNITY FACILITIES

In this category the municipality provides only the following functions/services: maintenance of library premises (as the actual library services are provided by the Free State Provincial government; disaster management and public halls.

EMPLOYEES: Libraries; Community Facilities; Others					
Job level	2010/11		2011/12		
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 -3	13	0	0	0	0
4 -6	0	1	1	0	0
7 -9	0	8	3	5	62.5%
10 -12	1	10	0	0	0
13 -15	0	6	14	6	30%
16 -18	0	0	0	0	0
19 -20	0	0	0	0	0
Total	14	29	18	11	37.93%

Table 3.36

FINANCIAL PERFORMANCE 2011/12: Libraries; Archives; Community Facilities; Others					
Details	2010/11		2011/12		
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue (excluding tariffs)	8 805	638 000	275 000	0	275 000
Expenditure:					
Employees	3 108 849	2 548 000	2 548 000	6 800 897	4 252 897
Repairs and Maintenance	3 271	0		7 944	7 944
Other	745 272	0	1 237 697	732 498	(505 199)
Total Operational Expenditure	3 857 392	2 548 000	3 785 697	7 541 339	3 755 642
Net Operational (Services) Expenditure	(3 866 197)	(1 802 000)	(3 510 697)	(7 541 339)	

Table 3.37

CAPITAL EXPENDITURE 2011/12					
Libraries; Archives; Community Facilities; Others					
Capital Projects	2011/12				
	Budget	Adjustment Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
None	0	0	0	0	

Table 3.38

5.1.4.2 CEMETERIES, CREMATORIUMS, PARKS AND SPORTS GROUNDS

INTRODUCTION TO CEMETERIES, CREMATORIUMS, PARKS AND SPORTS GROUNDS

Nketoana Municipality does not own or provide crematorium facilities and services. In all units cemeteries are available, but the municipality has to plan well to keep the cemetery space adequate for the demand. There are cemeteries in all units. The parks are maintained by the municipalities but there is still potential to develop some of the dedicated areas to proper facilities that will provide areas that the communities can utilise for recreational purposes. It is also envisaged that play apparatus can be provided for children to play in safe circumstances.

Below are the statistics for the 2011/12 Financial Year

EMPLOYEES: Cemeteries/Parks & Sports Grounds					
Job level	2010/11		2011/12		
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 -3	0	0	0	0	0
4 -6	0	0	0	0	0
7 -9	0	0	0	0	0
10 -12	4	4	3	1	25%
13 -15	46	46	25	21	45.65%
16 -18	0	0	0	0	0
19 -20	0	0	0	0	0
Total	50	50	28	22	44 %

Table 3.39

FINANCIAL PERFORMANCE 2011/12: Cemeteries/Parks and Sports Grounds					
Details	2010/11		2011/12		
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue (excluding tariffs)	401 456		0	390 935	
Expenditure:					
Employees	4 048 3131		4 156 463	4 875 923	
Repairs and Maintenance	838 459		701 000	447 098	
Other:	436 684			607 044	
Total Operational Expenditure	5 323 456			5 993 065	
Net Operational (Services) Expenditure	(4 922 000)			(5 329 639)	

Table 3.40

CAPITAL EXPENDITURE 2011/12 Cemeteries, Parks, and Sports grounds					
Capital Projects	2011/12				
	Budget	Adjustment Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
None	0	0	0	0	

Table 3.41

COMMENT ON THE PERFORMANCE OF CEMETERIES, PARKS, SPORTS GROUNDS & OVERALL:

There were no capital projects for Nketoana Municipality for cemeteries during the 2011/12 financial year. In Reitz 3 Netball courts were rehabilitated by the municipality.

5.1.5 COMPONENT E: SECURITY AND SAFETY

This component includes: traffic; fire; disaster management, licensing and control of animals, and control of public nuisances, etc.

5.1.5.1 TRAFFIC AND LAW ENFORCEMENT**INTRODUCTION TO TRAFFIC AND LAW ENFORCEMENT**

Nketoana Local Municipality has a relative small developing traffic unit. Their functions cover law enforcement and traffic management.

TRAFFIC AND LAW ENFORCEMENT DATA					
	Details	2010	2010/11		2011/12
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Number of road traffic accidents during the year				
2	Number of by-law infringements attended	420	450		533
3	Number of traffic officers in the field on any average day	6	6	6	6
4	Number of traffic officers on duty on an average day	6	6	6	6

Table 3.42

EMPLOYEES: Traffic and Law Enforcement					
Job level	2010/11		2011/12		
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 -3	0	0	0	0	0
4 -6	3	2	2	0	0
7 -9	7	7	4	3	48.68%
10 -12	0	0	0	0	0
13 -15	0	0	0	0	0
16 -18	2	2	0	2	100%
19 -20	0	0	0	0	0
Total	10	11	6	5	45.45%

Table 3.43

FINANCIAL PERFORMANCE 2011/12: Traffic and Law Enforcement					
Details	2010/11		2011/12		
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue (excluding tariffs)	198 361	212 000	212 000	195 850	(16 150)
Expenditure:					
Employees	1 808 027	2 305 000	2 705 000	2 185 965	(519 035)
Repairs and Maintenance	134 225	0	170 000	105 029	(64 971)
Other	643 992	1 016 000	1 177 718	519 994	(657 724)
Total Operational Expenditure	2 586 244	3 321 000	4 052 718	2 810 989	(1 241 729)
Net Operational (Services) Expenditure	(2 387 883)	(3 109 000)	(3 840 718)	(2 615 139)	

Table 3.44

CAPITAL EXPENDITURE 2011/12					
Traffic and Law Enforcement					
Capital Projects	2011/12				
	Budget	Adjustment Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
Total All	0	0	0	0	

Table 3.45

5.1.6 COMPONENT F: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes: corporate policy offices, financial services, human resource services, ICT services, property services.



5.1.6.1 EXECUTIVE AND COUNCIL

This component includes: Executive office (Mayor; Speaker; Councilors and Municipal Manager).

INTRODUCTION TO THE EXECUTIVE AND COUNCIL

The part comprises of two components, namely political and administration. The political component consists of the Mayor who is the Chairperson of the Executive Committee (Exco) as well as the Speaker who is the Chairperson of Council and is also responsible for ward committees.

The administration component is headed by the Municipal Manager who is the head of the administration and the Accounting Officer of the Municipality Internal Audit, Risk Management, IDP and PMS are situated in the office of the Municipal Manager.

SERVICE STATISTICS FOR THE EXECUTIVE AND COUNCIL

Number of Scheduled Council Meetings: 4

Number of Scheduled Exco Meetings: 5

Number of Special Council Meetings: 5

The statistics for the Executive and Council during the period under review are as follows

EMPLOYEES: EXECUTIVE AND COUNCIL AND OFFICE OF THE MUNICIPAL MANAGER

Job level	2010/11		2011/12		
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0-3	4	4	4	0	0
4 -6	1	3	3	0	0
7 -9	2	3	2	1	33%
10 -12	1				
13 -15	0				
16 -18	0				
19 -20	0				
Total	4	10	9	1	10%

Table 3.46

Details	2010/11	2011/12			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue (excluding tariffs)	66 557	0	0	11 732	11 732
Expenditure:					
Employees	6 961 877	6 880 000	7 792 059	8 778 614	986 555
Repairs and Maintenance	0	0	0	0	0
Others:	5 542 056	6 830 000	4 913 955	7 396 462	2 482 507
Total Operational Expenditure	12 503 933	13 710 000	12 706 014	16 175 076	3 469 062
Net Operational (Services) Expenditure	12 437 367	(13 710 000)	(12 706 014)	(16 163 344)	

Table 3.47

Capital Projects	2011/12				
	Budget	Adjustment Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
Name of Project	0	0	0	0	0
TOTAL	0	0	0	0	0

Table 3.48

COMMENTS ON THE PERFORMANCE OF THE EXECUTIVE AND COUNCIL AND OFFICE OF THE MUNICIPAL MANAGER:

The council has a responsibility to oversee both the performance of both the Executive Committee; Council Committees and the Administration. During the year under review the Council exercised this oversight work with due diligence. It held both the Executive Committee and the Administration to the highest level of scrutiny and oversight. The Executive Committee also ensured that the reports and recommendations that went to Council were thoroughly scrutinized and investigated. This assisted in ensuring that the best decisions were taken by the Council. It is also worth mentioning that Nketoana Council operates as one entity and that it always aspires to take decisions that are in the best interest of all the residents, irrespective of their individual members' political party and persuasion.



The performance of the sections in the office of the municipal manager is as follows:

Internal Audit:

The Manager Internal Audit is responsible for Internal Audit as well as Risk Management. Audits were done on Asset Management, Leave, Revenue, Expenditure and Supply chain and SDBIP Quarter 1 &2. Follow-ups on previous external audit reports were also done. Nketoana uses the audit committee of Thabo Mafutsanyana District Municipality as Audit Committee for Nketoana. The same committee will also be used as Performance Audit Committee. The committee had several sessions during the financial year

A Risk assessment was done at the start of the financial year. Out of it a risk register was compiled and maintained. It also forms the basis of the audit plan for the 2011/2012 year.

IDP

The IDP is compiled and managed by the Manager IDP. All processes as prescribed by legislation are followed and an effort is taken to ensure compliance to all applicable legislation. Public Participation is usually a challenge and the 2011/2012 financial was even more challenged with the change in Council due to Municipal Elections. However, the public participation was done and the IDP could be submitted as required. It is envisaged that a special effort will be taken to enhance the public participation in the coming financial year. The IDP was evaluated by Provincial COGTA and a HIGH rating was achieved.

PMS

The PMS is coordinated by the Manager PMS. There is a PMS Framework that is annually reviewed and approved by Council. The SDBIP is the basis of quarterly reporting as well as mid-term reporting. The challenge that exists regarding the quarterly reporting is the substantiating of information. Job cards will be a legitimate source document, but it is not used in all departments. An effort was taken to improve on the documentation, but it is still a challenge. To obtain baseline information was also a challenge. To overcome this hurdle, a spreadsheet was compiled of all possible baseline information. This will be maintained by the Manager PMS and any adjustments will be included on a quarterly basis. PMS is still done manually but the process of procuring an electronic version of it is running. Tenders were invited and the bid committee processes were followed. The awarding of the tender is awaited. It is envisaged that PMS will be cascaded down to more levels of the employees, until all levels of employment are included in PMS.

5.1.6.2 FINANCIAL SERVICES

INTRODUCTION FINANCIAL SERVICES

The Finance Department is headed by the Chief Financial Officer who accounts to the Municipal Manager. The finance department is divided into the following sections: Revenue, Expenditure, Treasury and Budget Office and Supply Chain.

EMPLOYEES: FINANCIAL SERVICES					
Job level	2010/11	2011/12			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 -3	0	6	5	1	16.67%
4 -6	7	13	11	2	15.38%
7 -9	5	18	11	7	38.89%
10 -12	6	0	0	0	0
13 -15	0	0	0	0	0
16 -18	1	0	0	0	0
19 -20	0	0	0	0	0
Total	19	37	27	10	27.03%

Table 3.49

FINANCIAL PERFORMANCE 2011/12 FINANCIAL SERVICES					
Details	2010/11	2011/12			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue (excluding tariffs)	108 131 468	72 332 000	80 751 000	127 485 295	46 734 295
Expenditure:					
Employees	5 414 308	7 529 000	5 092 246	6 129 129	1 036 883
Repairs and Maintenance	88	0	0	32 809	32 809
Other	57 347 145	23 480 000	35 210 073	20 010 542	(15 199 531)
Total Operational Expenditure	62 761 541	31 009 000	40 302 319	26 172 480	14 129 839
Net Operational (Services) Expenditure	45 369 927	41 323 000	40 448 681	101 312 815	

Table 3.50

CAPITAL EXPENDITURE 2011/12

FINANCIAL SERVICES					
Capital Projects	2011/12				
	Budget	Adjustment Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
	6 630 000	3 628 947	0	6 630 000	

Table 3.51

COMMENTS ON THE PERFORMANCE OF FINANCIAL SERVICES:

The performance in the financial services section improved tremendously. The Audit Report was un-qualified in 2010/2011 and it is envisaged that the report will again improve this year.

5.1.6.3 HUMAN RESOURCE SERVICES

INTRODUCTION TO HUMAN RESOURCE SERVICES

The Human Resources function is located within the Department of Corporate Services and is headed by the Executive Manager Corporate Services who is accountable to the Municipal Manager. The Section serves as a catalyst to all Departments of the Municipality. The Department is crucial in providing support to Political Office-Bearers.

SERVICE STATISTICS FOR HUMAN RESOURCE SERVICES IN THE WHOLE MUNICIPALITY

The Total number of Employees is 371

Females: 104

Males: 267

Below are statistics of employees in the Corporate Department (excluding other Departments):

Job level	2010/11		2011/12		
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 -3		4	3	1	25%
4 -6		11	9	2	18.18%
7 -9		12	4	8	66.67%
10 -12		1	0	0	0
13 -15		13	6	7	53.85%
16 -18		0	0	0	0
19 -20		0	0	0	0
Total		40	22	18	45%

Table 3.52

Details	2011/12				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue (excluding tariffs)	286 880	8 189 000	8 189 000	670 040	(7 518 960)
Expenditure:					
Employees	3 365 527	5 020 000	4 465 051	3 455 213	1 009 838
Repairs and Maintenance	326 794	0	380 000	392 554	12 554
Other:	5 245 060	4 779 000	8 315 000	9 757 524	1 442 524
Total Operational Expenditure	8 937 381	9 799 000	13 160 051	13 605 291	445 240
Net Operational (Services) Expenditure	(8 650 501)	(4 971 051)	(4 971 051)	(12 935 251)	

Table 3.53

Capital Projects	2011/12				
	Budget	Adjustment Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
None	0	0	0	0	

Table 3.54

5.1.6.4 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Nketoana Municipality has no IT department. The IT function is situated in the department of Finance. We have improved in terms of a backup system for the financial system and we still need to improve in relation to other systems.

We have improved our IT security by installing an anti-virus system and firewall.

The Technical offices were connected to the network and we also replaced all redundant equipment

5.2. ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

INTRODUCTION

Nketoana Municipality is dedicated toward the objectives of Local Government as outlined in Chapter 7 of the Constitution of the Republic of South Africa Act, 1996 (Act 108 of 1996). These objectives are to provide democratic and accountable government for local communities; to ensure the provision of services to communities in a sustainable manner; to promote social and economic development; to provide a safe and healthy environment; to encourage the involvement of communities and community organisation in the matters of local government.

5.2.1 COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

5.2.1.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

EMPLOYEES					
Description	2010/11	2011/12			
	Employees No.	Approved Posts No	Employees No.	Vacancies No.	Vacancies %
Water	8	54	33	21	38.8%
Waste Water (Sanitation)	23	41	41	1	2.44%
Electricity	4	30	19	11	36.36%
Waste Management	52	77	66	11	14.28%
Public Works ,includes Roads, Storm Water, Waste Water, Workshop & Admin Personnel	37	46	22	24	52.17%
Housing Services	5	6	6	0	0
Libraries, Community Facilities	13	29	18	11	37.93%
Local Economic Development	1	2	2	0	0
Executive & Council ,Office of MM	4	10	9	1	10%
Community and Social Development					
Disaster Management	1	2	0	2	100%
Financial Services	19	37	27	10	27.03%
Traffic and Law Enforcement	2	10	10	0	0
Cemeteries, Parks & Sports Ground	31	50	28	22	44%
Human Resource Services	8	40	22	18	45%
TOTALS	212	434	303	132	30.41%

Table 4.1

VACANCY RATE 2011/12			
Designation	*Total Approved Posts No.	*Vacancies (Total time that vacancies exist using fulltime equivalents) No.	*Vacancies (as a Proportion of total posts in each category) %
Municipal Manager	1	0	
CFO	1	0	
Other Sec. 57 Managers (excluding finance posts)	4	2	50%
Other Sec. 57 Managers (finance posts)	0	0	
Traffic Officers	10	0	
Fire fighters	2	0	
Senior management: Levels 13-15 (excluding finance posts)	16	4	25%
Senior management : Levels 13-15 (finance posts)	4	1	25%
Highly skilled supervision: Levels 9-12 (finance posts)	6	3	50%
TOTALS	44	10	22.73%

Table 4.2

TURN-OVER RATE: 2011/12			
Details	Total Appointments as of Beginning of financial year No.	Terminations during the Financial Year No.	Turn-over Rate*
2009/10			
2010/11			
2011/12			

Table 4.3

COMMENT ON VACANCIES AND TURNOVER:

The Municipality has been able to retain staff across all levels and occupational categories. The impact that the current Minimum Competency Levels as prescribed by National Treasury will have on the staff turnover is unknown at this stage.

5.2.2 COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

Our municipality has developed and adopted a number of policies that are intended to create a fair, efficient and transparent system on matters affecting the employees. These documents are not only adopted but have been posted on our website to ensure that they are easily accessible. The municipality reviews these policies regularly to ensure that they are on par with best practice, new and amended legislation.

5.2.2.1 POLICIES

HUMAN RESOURCES POLICIES AND PLANS				
No.	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
1.	Affirmative Action	0	0	N/A
2.	Attraction and Retention	100	0	Still to be adopted.
3.	Code of conduct for employees	100	100	As contained in the Municipal Systems Act (Act 32 of 2000).
4.	Delegations, Authority and Responsibility	100	100	22 February 2006
5.	Disciplinary Code and Procedure	100	100	As approved by parties to the SALGBC.
6.	Essential Services	100	100	As approved by parties to the Local Labour Forum
7.	Employee Assistance/wellness	100	100	22 August 2011
8.	Employment Equity	100	100	Adopted on 30 November 2010.
9.	Exit Management	100	0	See item 2 above
10.	Grievance Procedure	100	100	As approved by parties to SALGBC.
11.	HIV/AIDS	100	100	Still to be adopted
12.	Human Resources Policy	100	100	Still to be adopted
13.	Information Technology	100	0	Adopted on 29 March 2006
14.	Job Evaluation	100	100	As approved by parties to SALGBC.
15.	Leave	100	100	22 August 2011
16.	Occupational Health and Safety	100	100	Still to be adopted
17.	Official Housing	100	100	22 August 2011
18.	Official Journey	100	100	22 August 2011
19.	Official transport to attend funerals	100	100	22 August 2011
20.	Official Working Hours and Overtime	100	100	22 August 2011
21.	Organisational Rights	100	0	Adopted by parties to SALGBC.
22.	Payroll Deductions	100	0	Adopted on 30 May 2001.
23.	Performance Management and Development	100	100	Adopted on 30th November 2010.
24.	Recruitment, Selection and Appointments	100	100	22 August 2011
25.	Remuneration Scales and Allowances	100	100	Determined by parties to SALGBC.
26.	Resettlement	100	100	22 August 2011
27.	Sexual Harassment	100	100	Still to be adopted
28.	Skills Development	100	100	22 August 2011
29.	Smoking	100	100	22 August 2011
30.	Special Skills	100	0	Retention and Exit Policy awaiting approval.
31.	Work Organisation	100	0	As per approved staff establishment.
32.	Uniforms and Protective Clothing	100	100	22 August 2011
33.	Other	100	100	

Table 4.4

5.2.2.2 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injury on Duty					
Type of Injury	Injury Leave Taken Days	Employee using injury leave Days	Proportion employees using sick leave %	Average Injury Leave per employee Days	Total Estimated Cost R'000
Required basic medical attention only	0	0	0	0	0
Temporary total disablement	245	8	2.2%	30.62	77 904.77
Permanent disablement	0	0	0	0	0
Fatal	0	0	0	0	0
TOTAL	245	8	2.2%	30.62	77 904.77

Table 4.5

COMMENT ON INJURY AND SICK LEAVE:

The total number of days taken/used by employees regarding sick leave during 2011/2012 financial year is 245 days involving 8 employees.

Number and Period of Suspensions				
Positions	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
1. Accountant Expenditure	Alleged releasing of municipal information without authorisation	30/09/2011	The hearing sat on 17/01.2012 and the Presiding Officer recused himself	Pending
2. General Worker	Alleged unauthorised possession of municipal property' Gross dishonesty and Gross Negligence	1/03/2012	Pending investigations	Pending

Table 4.6

Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of Alleged Misconduct and Rand Value of any loss to the municipality	Disciplinary action taken	Date Finalized
1. Manager Corporate Services DD Radebe	Arbitration Hearing	Arbitration id currently at CCMA	Pending
2. Mechanic CJ Meiring		Was found guilty and	Finalized on 2/08/2011
3. General Worker V Shongwe	Absenteeism	Hearing scheduled for 20/03/2012. Postponed Sine Dine, no postponement date arranged for submission of mitigating and aggravating factors.	Pending
4. Accountant Expenditure MI Mofokeng	Alleged releasing municipal information without authorization	The hearing was held on 17/01/2012. The Presiding Officer recused himself. No further progress since.	Pending
5. General Worker SA Tsotetsi	Misuse of municipal vehicle without authorization	Hearing held, found guilty and dismissed on 9 December 2011	Dismissal
6. Water Operator Alec Motaung	Misuse of municipal vehicle without authorization	The hearing was held on 12/01/2012 and postponed to 29/03/2012. No further dates were arranged.	Pending
7. Librarian M Rashiane	Gross Dishonesty	The hearing was held on 22/05/2012 and postponed to 29/05.2012. No further postponement dates were arranged.	Pending
8. Stores Officer K Mokoena	Unaccounted disappearance of fuel	The hearing was held on 23/03/2012 and postponed to 12/06/2012. No further postponement dates were arranged	Pending

Table 4.7

COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT:

The duration of the cases is at this stage very long. It is a concern that it is costing Council money. Suspended employees are done so with full payment yet someone else must complete the work. General discipline is also suffering as the perception exist that disciplinary action taken is prolonged for a long period.

5.2.2.3 PERFORMANCE REWARDS

COMMENT ON PERFORMANCE REWARDS:

The only reward system applicable currently at the municipality is the payment of performance bonuses to the Municipal Manager and Managers accountable to the Municipal Manager. At the time of drafting this report no performance bonus for the 2011/12 financial year had been paid as the performance of the affected employees had not yet been evaluated.

5.2.3 COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

A key document in this regard is the Skills Development Plan drawn in terms of the Skills Development Act. Assessment of skills levels of employees and gaps are regularly identified and external interventions sought and implemented in line with the Plan.

The information provided below is about the Minimum Competency Levels determined by the National Treasury Levels that certain categories of employees must comply with by the 31 January 2011 or at least apply for Special Merit Cases where the Municipality does not comply.

Financial Competency: *Progress Report						
Description	A. Total number of officials employed by municipality (Reg. 14(14)(a) and (c))	B. Total number of officials employed by municipal entities (Reg. 14(4)(a) and (c))	Consolidate d: Total of A and B	Consolidate d: Competency assessment completed for A and B (Reg. 14(4)(b) and (d))	Consolidate d: Total number of officials whose performance agreements comply with Reg. 16(Reg. 14(4)(f))	Consolidated : Total number of officials that must meet prescribed competency levels (Reg.(14)(4)(e))
FINANCIAL OFFICIALS						
<i>Accounting Officer</i>	0	0	0	0	1	1
<i>Chief Financial Officer</i>	0	0	0	0	1	1
<i>Senior Manager</i>	0	0	0	0	0	9
<i>Any other financial Official</i>	0	0	0	0	0	7
SUPPLY CHAIN MANAGEMENT						
<i>Heads of supply Chain Management Unit</i>	0	0	0	0	0	0
<i>Supply chain Management Senior managers</i>	0	0	0	0	0	1

Table 4.8

5.2.4 COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

5.2.4.1 EMPLOYEE EXPENDITURE

Employees not appointed to established posts				
Department	Level	Date of appointment	No. appointed	Reasons for appointment when no established post exist
N/A	N/A	N/A	N/A	N/A

Table 4.9

DISCLOSURES OF FINANCIAL INTERESTS

During the year under review, no employees or councillors had declared any interest on any work done by the municipality or any organ of state.

5.3 FINANCIAL PERFORMANCE

INTRODUCTION

Section 3 contains information regarding financial performance and highlights and specific accomplishments. The section comprises of three components:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Other Financial Matters

The municipality sought to contain inflationary pressures during the financial year through anticipating it during the budget preparation process and factoring it into the budget.

5.3.1 COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

INTRODUCTION TO FINANCIAL STATEMENTS

Nketoana Municipality had a revenue of R 217 323 081 and an expenditure of R221 399 125. This resulted into a deficit of R 4 076 044 for the 2011/12 Financial Year.

The municipality has been liquid for the whole 2011/2012 financial year.

Current Ratio

Acid Test Ratio

Revenue Pie

Table of cash received as compared to billing per area

The municipality is highly dependent on grants income which this is not viable for the municipality.

5.3.1.1 STATEMENTS OF FINANCIAL PERFORMANCE

Description	Current Year 2011/12			2010/11	
	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustment Budget
FINANCIAL PERFORMANCE					
Property rates	8 189 000	8 189 000	11 008 056	7 725 000	7 725 000
Service charges	63 787 000	63 787 000	74 593 511	57 802 000	57 802 000
Investment revenue	3 101 000	3 101 000	962 951	500 000	500 000
Transfers recognized-operational	71 807 000	71 807 000	90 909 210	64 095 000	64 095 000
Other own revenue	585 000	585 000	4 997 932	2 977 000	2 977 000
TOTAL REVENUE (Excluding capital transfers and contributions)	147 468 000	147 468 000	182 471 660	133 099 000	133 099 000
Employee costs	44 744 000	44 744 000	46 268 774	41 818 000	41 818 000
Remuneration of Councilors	4 758 000	4 758 000	4 840 014	4 488 000	4 488 000
Depreciation and asset impairment	11 970 000	64 970 000	62 417 655	5 600 000	5 600 000
Finance Charges	890 000	890 000	1 292 917	980 000	980 000
Materials and bulk purchases	24 176 000	24 176 000	17 392 341	19 187 000	19 187 000
Transfers and grants	0	0	0	0	0
Other expenditure	33 798 000	60 798 000	46 003 007	46 959 000	46 959 000
Total Expenditure	120 336 000	200 336 000	178 214 708	119 032 000	119 032 000
Surplus/(Deficit)					
Transfers recognized-capital	27 132 000	(52 868 000)	4 256 952	14 067 000	14 067 000
Contributions recognized-capital and contributed Assets					
Surplus/(Deficit) after capital transfers & contributions	27 132 000	(52 868 000)	4 256 952	14 067 000	14 067 000
Share of surplus/(deficit) of associate					
Surplus/(Deficit for the year	27 132 000	(52 868 000)	4 256 952	14 067 000	14 067 000

Capital Expenditure & funds resources					
Capital Expenditure	38 194 000	46 626 000	33 722 717		24 430 000
Transfers recognized- capital					
Public contributions & donations	38 194 000	46 626 000	33 722 717	0	17 945 000
Borrowing					6 485 000
Internally generated funds				0	
Total source of capital funds		46 626 000	37 722 717		24 430 000
Total 38 194 000					
FINANCIAL POSITION					
Total current assets	39 100 000	66 100 000	82 828 831	62 748 000	62 748 000
Total non-current assets	1 147 736 000	1 147 736 000	671 589 992	1 103 239 000	1 103 239 000
Total current liabilities	17 731 000	17 731 000	37 051 553	17 250 000	17 250 000
Total non-current liabilities	13 166 000	13 166 000	19 608 079	13 300 000	13 300 000
Community wealth/Equity	0	0		0	0
Cash flows					
Net cash from (used) operating	228 006 000	228 006 000	23 355 662	292 242 000	292 242 000
Net cash from (used) investing	0	0	(18 217 556)	0	0
Net cash from (used) financing	0	0	291 389	0	0
Cash/cash equivalents at the year end	228 006 000	228 006 000	15 587 095	292 242 000	292 242 000
Cash backing					
Cash and investments available	7 651 000	7 651 000	3 912 641	19 764 000	19 764 000
Application of cash and investment	17 607 000	17 607 000		36 881 000	(6 102 000)
Balance – surplus (shortfall)	(9 956 000)	(9 956 000)		(17 117 000)	25 866 000

Asset Management Asset register summary (WDV) Depreciation & asset impairment Renewal of existing assets Repairs and Maintenance	1 105 092 000 11 970 000 28 782 000 9 130 000	1 151 718 000 64 970 000 28 782 000 9 130 000	1 176 566 195 62 417 655 2 000 000 11 117 000	0 5 600 000 2 000 000 11 117 000	0 5 600 000 2 000 000 11 117 000
			11 132 738		

Table 5.1

Description	2011/12			2011/12 Variance %	
	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustment Budget
Operation Cost					
Water	19 689 000	29 475 808	37 067 994	88%	26%
Electricity	26 239 000	33 635 018	30 694 107	17%	-9%1%
Waste Management	11 196 000	17 621 396	17 850 005	59%	
Component A sub-total	57 124 000	80 732 222	85 612 156	50%	6%
Storm-water Drainage	13 092 000	20 461 373	24 071 072	84%	18%
Roads	10 892 000	11 323 529	51 726 170	375%	375%
Transport					
Component B sub-total	23 984 000	31 784 902	75 797 442	216%	138%
TOTAL EXPENDITURE	81 108 000	112 517 124	161 409 598	99%	43%

Table 5.2

5.3.1.2 GRANTS

Descriptions	2011/12			2011/12 Variances	
	Budget	Adjustment Budget	Actual	Original Budget (%)	Adjustment Budget (%)
Operating Transfers and Grants					
National Government					
Equitable Share	69 567 000	69 567 000	67 786 000	-3%	-3%
Municipal Systems Improvement	790 000	790 000	1 207 372	53%	53%
Department of Water Affairs	0	0	0	0	0
Levy replacement	0	0	0	0	0
(FMG)	1 450 000	1 450 000	1 620 149	12%	12%
MIG (PMU)	0	0	0	0	0
Other transfers/grants (FMG)	536 000	536 000	322 782	-40%	-40%
Spe Contr Council					
Provincial Government:					
Health Subsidy					
Housing					
Ambulance Subsidy					
Sports and Recreation					
Other transfers/grants					
DISTRICT MUNICIPALITY					
Sewerage					
OTHER GRANT DESCRIPTION (insert description)					
TOTAL OPERATING TRANSFERS AND GRANTS	72 343 000	72 343 000	70 936 303	-2%	-2%

Table 5.3

COMMENT ON OPERATING TRANSFERS AND GRANTS:

Grants received were from the following sources: Equitable Share; Financial Management Grant; Municipal Systems Improvement Grant; Municipal Infrastructure Grant and Skills Development Grant. The municipality has received all grants expected from national fiscus.

Grants Received From Sources Other Than Division of Revenue Act (DORA)						
Details of Donor	Actual Grant 2010/11	Actual Grant 2011/12	2011/12 Municipal Contribution	Date Grant Terminates	Date Municipal Contribution Terminates	Nature and Benefit from the grant received, include description of an contribution in kind
Parastatals						
“Project 1”	N/A	0	0	0	N/A	N/A
“Project 2”	N/A	0	0	0	N/A	N/A
Foreign Governments/ Development Aid Agency						
“Project 1”	N/A	0	0	0	N/A	N/A
“Project 2”	N/A	0	0	0	N/A	N/A
Private Sector/ Organization						
National Lottery (Athletic Track)	0	322 782	0	2011/2012	n/a	
“Project 2”						

Table 5.4

COMMENT ON CONDITIONAL GRANTS AND GRANT RECEIVED FROM OTHER SOURCES:

No conditional grants and grants were received from other sources than National Fiscus.

3.1.3 ASSET MANAGEMENT

INTRODUCTION TO ASSET MANAGEMENT

The municipality has an Asset register that comply with all requirements. Depreciation is calculated and recorded as required.

COMMENT ON ASSET MANAGEMENT:

Nketoana Local Municipality manage the assets according to sound financial management principles.

Assets are counted at the end of the financial. Refer to Appendix B of the Annual Financial Statements

Repair and Maintenance Exenditure 2011/12				
	R'000			
	Original Budget	Adjustment Budget	Budget	Budget Variance %
Repairs and Maintenance Expenditure	9 130 000	9 130 000	0	0

Table 5.5

COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE:

The municipality has repaired roads, machines, vehicles and buildings during the 2011/2012 financial year. The municipality does not have as asset management plan

5.3.2 COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

Capital expenditure relates mainly to construction projects that will have value lasting over many years. Capital expenditure is funded from grants, borrowings and operating expenditures and surpluses. Component B deals with capital spending indicating where the funding comes from and whether Municipalities are able to spend the available funding as planned.

5.3.2.1 SOURCES OF FINANCE

Capital Expenditure – Funding Sources 2010/11-2011/12						
Details	2010/11	2011/12				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)
Source of finance						
External Loans						
Public contributions and loans						
Grants and subsidies						
Other						
TOTAL						
<i>Percentage of finance</i>						
External loans						
Public contributions and donations						
Grants and subsidies						
Other						

Capital Expenditure						
	Water and sanitation		15 506 967	22 856 063		
	Electricity		2 920 000	3 955 000		
	Housing		0	0		
	Roads and storm-water		12 237 863	13 856 675		
	Other		7 430 000	6 228 947		
TOTAL						
<i>Percentage of expenditure</i>						
	Water and sanitation					
	Electricity					
	Housing					
	Roads and storm water					
	Other					

Table 5.6

COMMENT ON SOURCES OF FUNDING:

The municipality is highly dependent on grants.

The following grants and subsidies are received:

Equitable share

MSIG

MFMG

LG Seta

DWAF drought relief

Refer to Note 20, page 50 of the Annual Financial Statements

5.3.2.2 CAPITAL SPENDING ON 5 LARGEST PROJECTS

Name of Project	Capital Expenditure of 5 largest projects*					R	
	Current Year		Variance Current Year				
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance %	Adjustment Variance %		
Toilet Structures in Petsana (502)	0	4 518 000					
Upgrading of Lindley No 1 Pump Station	0	2 000 000					
Petsana Landfill Site	7 790 450	8 945 324					
Ntha/Lindley New Water Purification Works	10 567 850	12 567 850					
Ntha Water Meters	2 865 872	1 976 234					

*Projects with the highest capital expenditure in 2011/12

Table 5.7

COMMENT ON CAPITAL PROJECTS

The Capital Projects as listed above are all aimed at the improvement of basic services. The lack of water in areas like Arlington, Petrus Steyn and even Lindley pose a serious challenge to provide sanitation to all residents of RDP standard. Most of the capital projects are still linked to water provision and bulk water storage.

5.3.2.3 BASIC SERVICES AND INFRASTRUCTURE BACKLOGS – OVERVIEW

INTRODUCTION TO BASIC SERVICE AND INFRASTRUCTURE BACKLOGS

The need and cost of backlogs are the result of migration into an area; migration out of an area; the trend towards disaggregation of families into more than one housing unit; and the cost of renewing and upgrading core infrastructure. Explain how this balance effects net demand in your municipality and how your municipality is responding to the challenges created.

Details	Budget	Adjustment Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustment Budget	
Infrastructure	28 044 000	28 044 000	23 060 026	4 983 974	4 983 974	
TOTAL	28 044 000	28 044 000	23 060 026	4 983 974	4 983 974	

Table 5.8

COMMENT ON BACKLOGS:

The backlogs in services are mainly in sanitation. Due to the lack of water, full water borne sanitation is not yet available to all areas.

Potable water of a high standard is available to all areas. Yard connections are installed to all households except those in new developments. As funding becomes available, networks will be improved.

Electricity is also available to all areas where the municipality has the responsibility of distribution. The challenge lies in the areas where ESKOM is directly distributing electricity. The municipality consults regularly with ESKOM to ensure that all the communities get access to electrical services.

Roads and storm water drainage are also a challenge in all areas. The paving of roads is an improvement and has a big impact on the accessibility of all areas.

5.3.2.4 BORROWING AND INVESTMENTS

INTRODUCTION TO BORROWING AND INVESTMENTS

Please comment on the Borrowings and Loans that the Municipality took or had

INSTRUMENT	2010/11	2011/12
Municipality		
Long term Loans (annuity/reducing balance)	0	0
Long term Loans (non-annuity)	0	0
Local Registered Stock	0	0
Installment Credit	0	0
Financial leases		
PPP Liabilities	0	0
Finance Granted By Cap Equipment Supplier	0	0
Market Bonds	0	0
Non-Market Bonds	0	0
Bankers Acceptance	0	0
Financial Derivatives	0	0
Other Securities	0	0
Municipality Total		

Table 5.11

COMMENT ON BORROWING AND INVESTMENTS:

The Municipality has two loans with DBSA; the loans were acquired in 2005 and 1984, during the year under review Municipality did not make any borrowings.

5.3.2.5 PUBLIC PRIVATE PARTNERSHIPS**PUBLIC PRIVATE PARTNERSHIPS**

The municipality has entered in no Public Private Partnerships during 2011/2012

5.3.3 COMPONENT C: OTHER FINANCIAL MATTERS**5.3.3.1 SUPPLY CHAIN MANAGEMENT****SUPPLY CHAIN MANAGEMENT**

The Municipality has adopted updated Supply Chain Management and Procurement Policies in accordance with the guidelines set down by the SCM Regulations 2005. The Policy was amended following the changing of legislation in December 2011 to re-determine the BBBEE threshold and points allocation. No Councillors are members of any committee handling Supply Chain Processes.

Bids Advertised in 2011/2012:

Bids Adjudicated in 2011/2012

